FINANCIAL TIMES

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Threats from tax and demography
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An old salesman in Shanghai
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Chaos from Albania to Zaire
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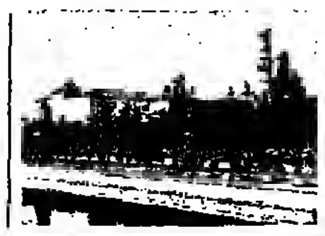

Today's surveys
Russia; Danish Banking and Finance
Separate sections

World Business Newspaper http://www.FT.com WEDNESDAY APRIL 9 1997

West Bank clashes leave three dead and 100 injured

A Palestinian man was shot dead by a Jewish settler and two more died after being hit by rubber bullets fired by Israeli soldiers in violence which yesterday swept the West Bank city of Hebron (above) leaving at least 100 hurt. Earlier, Israeli prime minister Benjamin Netanyahu said after inconclusive talks in Washington with President Bill Clinton that he would not stop construction of a Jewish settlement at Har Homa in east Jerusalem.

Ralph Lauren in $600m public offering: US fashion designer Ralph Lauren announced a $600m initial public offering of shares in his company, the New York based Polo Ralph Lauren. Page 17

Prodi fails to find unity on Albania: Italian prime minister Romano Prodi appealed in vain for feuding political parties to show a united front and support an Italian-led humanitarian mission to Albania. Page 16

China woos France over arms sales: Beijing renewed efforts to break down an international embargo on arms sales and singled out France as the potential key supplier, military attachés in Beijing said. Page 16

Commerzbank warns on bankruptcies: Commerzbank chairman Martin Kohlhaussen warned about Germany's high level of corporate bankruptcies and said politicians had been slow to push through economic reforms. Page 17

EU reaches steel deal with Moscow: The European Union will open its market fully to Russian steel imports provided Russia introduces EU-style rules on competition policy, state aid and environmental protection in its steel sector. Page 8

Rolls-Royce in Russian venture: UK aero engine maker Rolls-Royce signed an agreement for a joint venture in Russia to turn military jet engines into industrial gas turbines. Page 8

Dow Jones presses on with revamp: Information provider and publishing group Dow Jones of the US pushed ahead with controversial plans to revamp its online information business in spite of calls from some shareholders for a rethink of the $650m overhaul. Page 17

US to succeed Japan as top donor: Japan is likely to lose to the US its position as the world's top aid donor following a 35 per cent fall in its official development assistance in 1996 to $9.58bn. Page 4

Zairean rebels to raise diamond output: Zaire's rebel movement signalled its intention to restore diamond production in the regional capital of Mbuji-Mayi to pre-invasion levels. Page 6

US clash over weapons treaty: Three former US defence secretaries urged the Senate not to ratify the Chemical Weapons Convention, as the issue turned into a test of wills between the administration and Congress. Page 10

Malaysia shares rise: Share prices rose in Malaysia after the central bank eased lending curbs. The Manila market fell to a six-month low on fears that the banking and property sectors were heading for a downturn. Page 4

Indian truck drivers' strike costs $1bn: An eight-day strike by Indian truck drivers has cost $1bn so far in lost export earnings, Ramu Deora, president of the Federation of Indian Export Organisations, said. Page 4

Nissan to export to Taiwan: Nissan is to become the first Japanese carmaker to export luxury cars to Taiwan after Taipei lifted a 23-year ban on Japanese car imports. Page 8

Double hole-in-one: Two women golfers playing against each other in a four-ball competition both scored holes-in-one at the same hole at Trentham, central England.

FT.com: the FT web site provides online news, comment and analysis at http://www.FT.com

■ STOCK MARKET INDICES		
New York lunchtime		
Dow Jones Ind Av	6557.04	(+1.13)
NASDAQ Composite	1252.56	(+1.21)
Europe and Far East		
CAC40	2579.08	(+6.69)
DAX	3329.75	(+16.85)
FTSE 100	4288.3	(-2.4)
Nikkei	18021.79	(+306.03)

■ US LUNCHTIME RATES	
Federal Funds	5½%
3-mth Treas Bills: Yld	5.228%
Long Bond	94⅛
Yield	7.103%

■ OTHER RATES		
UK: 3-mo Interbank	6⅞%	(6⅜%)
UK: 10 yr Gilt	97⅜	(97⅛)
France: 10 yr OAT	97.62	(97.72)
Germany: 10 yr Bund	100.63	(100.71)
Japan: 10 yr JGB	108.4167	(108.4948)

■ NORTH SEA OIL (Argus)		
Brent Dated	$17.02	(17.05)

■ GOLD		
New York: Comex	$346.6	(348.4)
London: close	$348.55	(348.75)

■ DOLLAR		
New York: lunchtime		
£	1.6255	
DM	1.711	
FFr	5.7582	
SFr	1.47	
Y	125.975	
London:		
£	1.6234	(1.6297)
DM	1.711	(same)
FFr	5.768	(5.7571)
SFr	1.4704	(1.468)
Y	126.18	(125.755)
Tokyo close:	Y 126.75	

■ STERLING		
DM	2.7775	(2.7884)

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Boycott forces Hoechst to drop abortion pill

Drugs company 'unable to take risk' after campaign

By Andrew Jack in Paris, Bruce Clark in Washington and Daniel Green in London

Hoechst, the German pharmaceuticals company, has been forced to end its involvement with RU 486, the controversial abortion pill, after US anti-abortion activists announced a boycott of its products.

Roussel Uclaf, Hoechst's French subsidiary, said it "could not take the risk" of continuing to produce the drug, which is currently sold in Britain, France and Sweden and allows women to abort an embryo in the first two months of pregnancy. It said it would abandon the search for commercial partners to make it under licence.

Industry analysts said it was the first time a leading pharmaceuticals company had given up the rights to a drug which was judged by regulators to be safe and effective.

Anti-abortion activists last week took full-page newspaper advertisements to urge US consumers not to use Allegra, a recently launched Hoechst anti-hay fever treatment whose annual sales are expected to exceed $300m within the next three years. The campaign is backed by the Christian Coalition, one of the most powerful lobby groups on the religious right.

The French company said it was transferring worldwide rights to make and sell RU 486 outside the US to Dr Edouard Sakiz, a scientist and former chairman of the Roussel-Uclaf supervisory board who helped create the drug. The company gave up US rights to RU 486 in 1994.

The rights to manufacture and market RU 486 in the US were transferred in 1994 to the Population Council, a New York-based non-profit organisation which still hopes to make it available to US women by the end of this year.

The Population Council said yesterday's decision would make no difference to its own plans. It had already found a manufacturer, whose identity was being kept secret, and it was confident of getting final approval from the US Food and Drug Administration in the next few months. Hoechst has had reservations about the group's involvement with

Continued on Page 16

Shareholders seeking $1.6bn over alleged mismanagement

Sumitomo directors to be sued over losses

By Gillian Tett in Tokyo

Shareholders in Sumitomo Corporation, the Japanese company which lost $2.6bn in a copper trading scandal last year, have taken the unprecedented step in Japan of directly suing directors for alleged mismanagement.

A shareholders' group has lodged a suit for Y200.4bn ($1.6bn) worth of damages from Mr Tomiichi Akiyama, Sumitomo's previous president, and four other senior managers for their personal responsibility in the losses.

The case could prove a corporate and cultural landmark in a country renowned for shareholder passivity.

Lawyers said yesterday the move was the first time Japanese company directors had been specifically sued for failing to impose proper management controls. Other cases have been brought on behalf of shareholders for fraud and extortion since the law was amended in 1993 to make this easier.

Yubo Sangyo, an Osaka-based textile company and shareholder in Sumitomo, brought the case with backing from the Osaka shareholders' group.

Japan's reputation for corporate governance has been tarnished in recent months by a series of scandals, including revelations about payments by Japanese security houses to corporate extortionists.

Mr Koji Morioka of the shareholders' group said that mismanagement at a company as large as Sumitomo "damages Japan's credibility in international society".

Sumitomo yesterday refused to comment on the case.

Last November, Japanese prosecutors charged Mr Yasuo Hamanaka, formerly Sumitomo's star copper trader, with forging documents to conceal his $2.6bn loss in trades during Japan's largest corporate fraud.

Sumitomo and Japanese government officials have insisted that Mr Hamanaka acted alone but Mr Tadashi Matsumaru, the Osaka lawyer bringing the case, said yesterday: "We can't believe that Mr Hamanaka acted alone."

He argues that the company failed to impose proper internal management controls and systems of risk management.

In particular, he alleges that the company could have avoided the copper losses after 1991 if it had heeded warnings from the London metal exchange.

Lawyers were uncertain about the likely outcome of the case. However some said that Mr Matsumaru, a respected lawyer, must feel confident of his arguments to have taken the risk of bringing the case to court. Japanese courts have powers to penalise shareholders if they are believed to have brought cases for reasons of "malice" or "gain".

Spring clean: A worker steam cleans the statue of former American president Abraham Lincoln inside Washington's Lincoln Memorial yesterday. The monument has to be scrubbed every year because of the effects of pollution and birds Picture: Reuter

Sharp fall in Germany's jobless

By Peter Norman in Bonn

Unemployment in Germany fell steeply last month but was still the highest recorded for March since the second world war and 335,900 above the same month last year.

Construction workers laid off amid January's harsh winter were re-hired because of the unusually mild spring.

The federal labour office in Nuremberg reported a 194,700 fall in the politically sensitive "headline" unemployment total to 4.48m last month. Unemployment, adjusted for seasonal variations, declined by 15,000 from February to 4.3m, compared with the 20,000 drop forecast by economists.

The fall in seasonally adjusted unemploymant was the result of a 16,000 drop in eastern Germany, reflecting the importance of the building industry in the economy.

In Bonn, Mr Peter Hausmann, the government spokesman, reaffirmed that the goal of Chancellor Helmut Kohl's administration was "to combat Germany's unacceptably high unemployment with total determination".

The government, trade unions and business leaders had agreed last year to halve the number of registered unemployed by 2000.

"This goal is ambitious. But it can be achieved provided all three partners assume responsibility and act," Mr Hausmann said.

Mr Bernhard Jagoda, labour office president, said seasonally adjusted unemployment among women and white-collar staff increased "markedly" last month with sharp rises among technical and health service employees.

The latest figures mean that 11.7 per cent of the labour force was out of work last month compared with 12.2 per cent in February and 10.8 per cent in March last year. On a seasonally adjusted basis, the unemployment rate was 11.2 per cent last month, with a continuing divergence between western Germany's 9.8 per cent average and eastern Germany's 17.2 per cent jobless rate.

Mr Jagoda took a cautious view of labour market trends, but some economists predicted a modest improvement. Mr

Continued on Page 16

Congress urged to act over reform of financial system

By Gerard Baker in Washington

The US Congress must act soon to legislate for far-reaching reform of the country's financial system, Mr James Leach, chairman of the House of Representatives' Banking Committee, said yesterday.

Mr Leach, whose committee is considering radical proposals to deregulata financial services, said the need for reform had been given greater urgency by the announcement on Monday of the proposed merger between Bankers Trust, a New York investment bank, and the securities company, Alex. Brown.

The prospects for change this year now seem better than ever, following the decision by several groups to drop their opposition. Earlier this year, for example, the main US insurers indicated they could now support reform. "A consensus is developing in favour of the integration of the financial services industry," Mr Leach, a Republican, said in an interview.

He said it was critical that lawmakers press ahead with US financial services liberalisation since there were a number of other potential financial mergers held up by current regulations.

Mr Leach is trying once again in the current legislative session to reform the 60-year old Glass-Steagall Act that formally prevents mergers between banks, securities companies and other financial institutions.

Though Glass-Steagall has been relaxed in recent years to allow mergers such as Bankers Trust-Alex. Brown, it still severely limits wider merger activity in the financial sector.

The impetus for reform has been complicated by tha desire of some senators and congressmen to go mnch further. Led by Republican senator Mr Alfonse D'Amato, the chairman of the Senate Banking committee, with bipartisan support in the congress, they favour a more radical proposal that would eliminate barriers between financial and non-financial corporations. The idea is to permit the creation of bank-centred conglomerates along the lines of the universal banking model in Germany, or the *keiretsu* industrial grouping system in Japan.

Mr Leach and other banking specialists oppose such a move, which they argue would give big companies unfair

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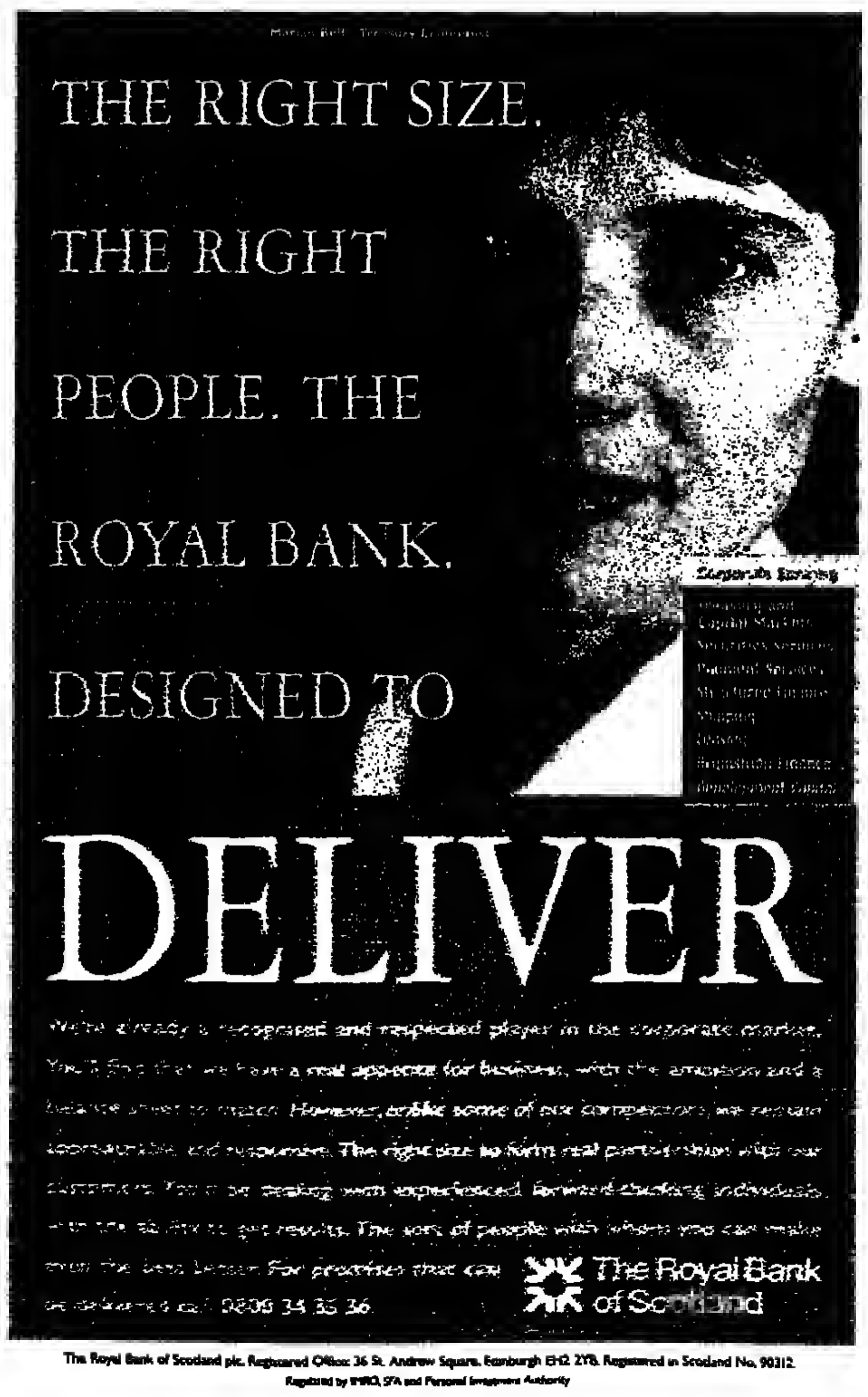

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'Clean hands' Constantinescu tightens grip

Romania's president is winning support for his drive against corruption, reports Anatol Lieven

Mr Ilie Alexandru may be accused of having tempted fate, or at least of deliberately attracting attention.

A 60-room Texan ranch house modelled on the one in the television soap *Dallas*, a stallion called Rambo and a 50m copy of the Eiffel Tower were bound to stand out anywhere in Romania, let alone outside the small, remote town of Slobozia.

Unfortunately for Mr Alexandru, a former boxer and cereals magnate, the attention he attracted included that of financial inspectors from the court of accounts. Since last week he has been in jail facing charges of falsifying loan documents.

His arrest is portrayed by Romanian officials as part of the new government's drive against corruption, which has focused on the granting of loans by state banks without following proper procedures or ensuring guaranteed repayment. Several leading bankers have been arrested or are under investigation and a large number of senior police officers have been replaced.

The administration, led by President Emil Constantinescu and Mr Victor Ciorbea, the prime minister, was elected last November on a platform which included a pledge to fight corruption and organised crime. Its efforts so far have helped ensure, according to opinion polls, that their public support has actually increased since the November elections, in spite of a very painful price liberalisation.

Mr Francois Ettori, World Bank mission chief in Romania, says: "This has been a very successful initiative on the part of the president. It has been politically rewarding and it has also had an effect on corruption. Even if it has not gone very far as yet, it has been a real thump on the table, which has shown people that some practices won't be allowed to continue."

Government leaders also believe that this is essential to attract foreign investment. Mr Constantinescu says: "For seven years businessmen have kept telling me that there are two reasons why outside investment is so low: the authoritarianism and corruption of the bureaucracy, and the failure to combat organised crime."

This verdict is only partially endorsed by western observers.

One diplomat says, "Anyone who has tried to do business here over the past seven years has experienced the number of bribes that had to be paid and come away saying 'bloody hell'."

However, others contend that the problem is not so much corruption as red tape, which the government is also planning to reduce by simplifying the rules for foreign investment.

Mr Ettori says that crime and corruption in Romania, although a problem, have not reached anything like the levels in some parts of the former Soviet Union.

"This is still a law-governed society. It has not become a place in which corruption acts as an acid, dissolving society, in the way that you see elsewhere.

"It has never been a full-scale kleptocracy, and people are genuinely scared of the court of accounts."

The personal honesty and commitment of Mr Constantinescu and Mr Ciorbea are unquestioned.

As the president says wryly, "our great advantage is that no one in business circles here thought we would ever come to power, so they didn't bother to bribe us. Maybe that is one reason why we have remained honest."

According to a western investment banker, "Constantinescu is personally honest and he was also never in government, so he never had to give and receive favours. So he has clean hands, which also means that he has a freer hand to insist on honest administration."

The government has, however, been faced with the question of how far to draw a line under the past.

A thorough investigation of all the privatisations and loans from state banks that took place under the previous administration of President Ion Iliescu would risk disrupting the reform process and even the Romanian economy.

Such an investigation is desired by many in Mr Constantinescu's National Peasants Party, and the Civic Alliance, the umbrella opposition group which defeated Mr Iliescu's party at the polls.

These groups are partly drawn from the old anti-communist dissident movement.

Many of their members believe that not only was much of the privatisation process under the previous administration corrupt, but that much of the original capital of many Romanian companies was drawn from the accounts of state trading companies controlled by the Securitate, the notorious secret police of the Communist dictator Nicolae Ceausescu who was overthrown in 1989.

On the other hand, such a wide-ranging investigation would be very unwelcome to the business supporters of some of the other parties in the ruling coalition, the unity of which is by no means guaranteed. Western diplomats have also warned against carrying out what they call "witch hunts."

In the end, according to western analysts, the government's campaign may be largely limited to two objectives: to clean up the bureaucracy and banking sector, and to uncover the process by which the previous Iliescu administration is alleged to have extracted loans from state banks for its own political purposes, particularly in the run-up to last year's elections.

From the administration's point of view, this would kill a political and an ethical bird with one well-aimed stone.

Constantinescu: crime pledge

Italy faces transport strikes

By Robert Graham in Rome

A strike called for today by Italy's air traffic controllers was yesterday called off after mediation by Mr Claudio Burlando, transport minister.

But a string of other protests are due this month in the transport sector unless the minister can appease 250,000 workers angry about delayed wage deals and under-funded transport systems in need of major rationalisation.

Mr Burlando said this week that if a truce was agreed, it would be possible to agree on a long-term plan to upgrade Italy's public transport system by June.

Transport unions are taking advantage of their strong bargaining position to sustain privileges long protected by regulation and the absence of competition.

They are also able to exploit laws that are benign towards strikes. Equally, governments over the past five years have lacked the will and time to clip the power of transport unions.

The 1,250 air traffic controllers are trying to improve employment terms and ensure they monitor changes in the new traffic control authority. Some 125,000 rail workers are seeking renewal of a wage contract that lapsed in December 1995.

Progress has been complicated by the large number of unions involved. On April 16 station managers are due to go on a 24-hour strike while the train drivers affiliated to the most radical union have called for a 24-hour stoppage on April 19.

Municipal transport workers, meanwhile, are protesting about the failure to tie up a new contract after 15 months of negotiations. The talks foundered because the government declined to release new funds to upgrade local transport until work forces are trimmed and productivity raised. The 125,000 workers in municipal transport have already staged a strike and are due to hold another tomorrow.

Yesterday also saw the beginnings of union protest in the electricity industry. Employees at Enel, the state-owned electricity company, staged a four-hour stoppage to highlight opposition to electricity privatisation plans.

EBRD banker for private sector

By Anthony Robinson, East Europe Editor

Mr Ronald Freeman, the American investment banker who played a key role in building the European Bank for Reconstruction and Development into the biggest single investor and lender to the private sector in the former Soviet bloc, is returning to the private sector. He is to become joint head of global investment banking at Salomon Brothers in London.

The search for another senior US banking figure to replace him as bank first vice-president has not yet produced a successor but "the process is still under way," Mr Jacques de Larosière, EBRD president, told the board yesterday.

The intention was to nominate a successor before the bank's annual general meeting in London this weekend. Several potential candidates were approached, but the favoured candidate, a US banker with leveraged buyout and investment banking experience, declined.

"I'm leaving on a high with the portfolio in good shape, our capital doubled by last year's $10bn capital increase and a good staff. But I won't go until my successor is fully in place and I have a wonderful candidate in my sights," Mr Freeman said last night.

Despite some lobbying for a European candidate, the top banking position is essentially reserved for an American. This was part of a deal agreed between the bank's 56 government shareholders in 1991 when the London-based bank was set up to facilitate transition of the former centrally planned economies to market methods and institutions.

The US government, which insisted the new bank concentrate mainly on helping the emerging private sector, is the largest single shareholder in the EBRD with a 10 per cent stake.

The 15 EU governments have 57 per cent between them and the former communist member states another 12 per cent. Mr Freeman spent 18 years with Salomon Brothers before joining the EBRD along with Mr Jacques Attali, the founding president, in 1991.

His insistence that all deals comply with the bank charter's requirement for "sound banking principles" led to initial criticism that the bank was too rigid in dealings with inexperienced borrowers.

He described the bank as a "financial boot-camp" where recruits were trained in the basic disciplines of borrowing and repaying which would allow them to borrow from the many private sources of finance which have emerged in recent years.

Under his leadership the EBRD committed more than $10bn to projects in the region and raised more than double that amount from co-financing and other ways of leveraging the bank's own efforts, by providing "comfort" for private investors through its influence with host governments and growing experience in the region.

Salomon Brothers is advising the Romanian cities of Constanta and Brasov on municipal bond issues and planning eurobond issues for power and phone companies in Moscow, with a debut municipal eurobond for St Petersburg.

Dutch dial early for deregulation

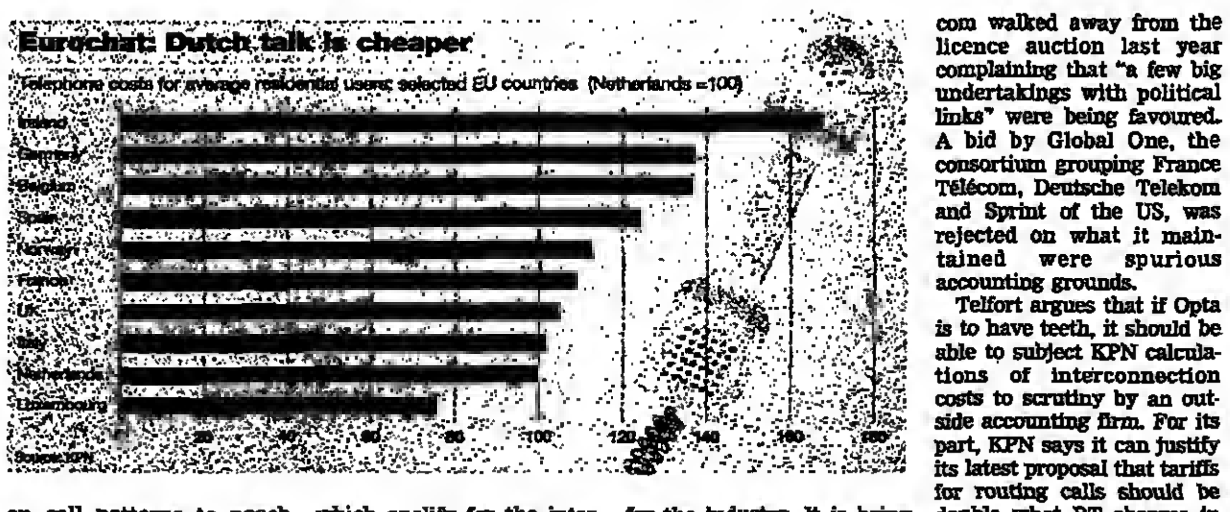
Netherlands beats EU deadline but leaves regulatory gap, writes Gordon Cramb

Going to friends for dinner and don't want to miss a phone call? Press a few buttons and redirect it for free. Want an e-mail address without having to pay anything to an Internet provider? That too is on offer for customers of KPN, the Dutch posts and telecoms utility which hopes that such services will help it beat the competition when its fixed-line monopoly ends in less than three months.

The Netherlands is Europe's sixth biggest telecoms market, worth about Fl 15bn ($8bn) a year. Its liberalisation, before the European Union's January 1998 deadline, has attracted a throng of entrants – among them BT of the UK, industry entrepreneurs from the US, and local cable companies. All have been forced into a love-hate relationship with KPN, as The Hague's rush to open the market has left in its wake a regulatory vacuum.

Telfort, BT's local venture, yesterday protested that KPN was in effect being allowed to set its own price for the interconnection facilities which it is obliged to offer its new rivals. But the two are at the same time allies in opposing a government ruling that, whatever the tariff is, it should apply equally to carriers who are entering the fray with perhaps a roomful of switching gear, a defined set of target subscribers, and without the national network of lines which in Telfort's case is costing Fl 1bn to build.

Among those smaller operators Versatel, controlled by Mr Gary Mesch, a former US industry executive, last November lodged a complaint with the European Commission accusing KPN's PTT Telecom subsidiary of abusing its dominant market position. He alleged it was using its computerised data on call patterns to poach back the small business customers being sought by Versatel for its international and value added services, which were deregulated in an earlier phase.



But last week Versatel announced excitedly that after close co-operation with the PTT it would be the first to implement carrier select, the four-digit access code by which phone users can choose the provider they think will be cheapest for each call. "The ministry and the PTT should be applauded for this progressive step," said Mr Mesch.

He is a potential beneficiary of the transport ministry's ruling that interconnection tariffs should not discriminate. As for many smaller operators that depends, however, on the interpretation of a distinction drawn last week by Mrs Annemarie Jorritsma, transport minister, between those which qualify for the interconnect rate and others whose limited service ambitions mean they would need only "special access" to the PTT network. This would imply a higher charge to interconnect.

KPN regards this as a shift in the right direction, although Mrs Jorritsma made clear that the divide would not be simply on the basis of owning infrastructure.

In any event, the ministry sees its work as now done. A new telecoms law is due to be ready by next January. Amendments to current statutes, to ensure that full-scale competition can take effect from July, were approved by the cabinet last Friday. "That is the last step to complete liberalisation of telecoms in the Netherlands," said an official.

Among other things, the new law will provide for the creation of Opta, a regulator for the industry. It is being formed from an existing supervisory department within the telecoms division of the transport ministry: officials insist the unit will have the power to make independent decisions, and make them stick. But Mr Wim Dik, KPN chairman, said last month he saw no need for an independent regulator, and entrants to the industry wonder how free of ministerial influence a group of spun-off bureaucrats will anyway be.

The government still owns 45 per cent of KPN and also has a half share in Telfort through NS, the state railway operator which is BT's partner in the venture. Central and regional authorities are big shareholders in the electricity and gas utilities which with the cable companies own Enertel, builder of the country's other new national telecoms network.

British-based Esprit Telecom walked away from the licence auction last year complaining that "a few big undertakings with political links" were being favoured. A bid by Global One, the consortium grouping France Télécom, Deutsche Telekom and Sprint of the US, was rejected on what it maintained were spurious accounting grounds.

Telfort argues that if Opta is to have teeth, it should be able to subject KPN calculations of interconnection costs to scrutiny by an outside accounting firm. For its part, KPN says it can justify its latest proposal that tariffs for routing calls should be double what BT charges in the UK. These would still be cheaper than anywhere else in the world, it points out.

KPN this week revised its retail charging structure to produce what it said would be an average bill the lowest in Europe except for Luxembourg. Customers can pick one of three subscription rates depending on how often they use the phone. But the package intended for infrequent callers – with a monthly charge 40 per cent below that offered to the highest volume residential users – will demand three times the standard price for international calls, and it will not allow carrier select.

At the same time, ministerial objections forced KPN to withdraw a plan to provide all customers with voice-mail, replacing the need for an answering machine. But evidence that the group is not using profits on its current monopoly activities to subsidise its free e-mail offer is being demanded by Internet service providers – at least, by those which the group does not already control. KPN has majority stakes in Planet Internet and World Access, two of the Netherlands' biggest suppliers of Net connections.

Liberalisation in Europe's sixth biggest telecoms market has attracted a throng of entrants from home and abroad, all of which have been forced into a love-hate relationship with the utility KPN

Hungary poised for modest recovery

By Anatol Lieven in Budapest

After two painful years of belt-tightening which cut living standards by 15 per cent as resources were shifted into repaying foreign and domestic debt and into exports, the Hungarian economy is poised for a modest export- and investment-led recovery.

The austerity programme worked out by Mr Gyorgy Suranyi, the central banker governor, and Mr Lajos Bokros, the former finance minister, in 1995 and known as the "Bokros package" cut public spending in order to reduce the budget and current account deficits and moderate inflation. It contributed to a drop last year of 3 per cent in public consumption and of 5 per cent in real wages.

But the economy grew by 3 per cent in the last quarter of 1996 over the previous year and Hungarian officials and the International Monetary Fund predict the same for 1997 as a whole.

Western analysts believe that this may even err on the conservative side because of the continued strong flow of foreign direct investment (FDI) into Hungary, totalling $1.8bn last year.

Hungary remains in first place among the former communist countries, with 35 per cent of total investment in the region. The Hungarian per capita figure for FDI stands at $830, an East European record.

The most important field of foreign investment has been the car industry, described by an official of the industry ministry as "the driving force in the whole machinery sector". General Motors, Suzuki and Ford have all established big parts and assembly plants in Hungary, and have been joined by Audi, which last year established a factory to produce diesel engines.

The car industry was the major factor behind an impressive growth of 10 per cent in machinery exports last year and the growth figure for 1997 is expected to be twice that.

The government hopes to reduce inflation, running at 19 per cent in the first quarter of this year, to single figures by 1998, but there are some doubts as to whether this is practicable, given the difficulties of further reducing spending, especially in the health system.

With the approach of the next elections, due in May 1998, the ruling coalition will also come under increased political pressure not to cut spending further.

However, Mr Peter Medgyessy, finance minister, recently said he would not allow spending to be dictated by political considerations and that he would resign if any attempt is made to force him to deviate from government targets.

EUROPEAN NEWS DIGEST

Gene-altered maize protest

The European Parliament yesterday demanded the suspension of all sales of genetically modified maize in the European Union, pending further health and safety tests. MEPs condemned the European Commission's clearance of Ciba's gene-altered US maize, which was granted last December in the face of opposition from several EU governments.

They said approval had been given despite the fact a new EU food labelling law for such foods was not yet in effect, and they accused the Commission of not analysing adequately the long-term effects of genetic manipulations. MEPs also warned that imports of disease-resistant transgenic maize placed European producers in "an extremely disadvantageous competitive position" and would force them to use such seed also in spite of long-term risks of increasing resistance to pesticides and antibiotics. *Reuter, Strasbourg*

Cyprus PM shuffles pack

Cyprus prime minister, Mr Glafcos Clerides, yesterday reshuffled his cabinet for the first time since taking office four years ago in what was seen as an attempt to bolster his image before next February's presidential election. He changed five of his 11-member cabinet, among them the foreign minister, Mr Alecos Michaelides. He has been replaced by Mr Yannakis Cassoulides, the government spokesman.

Also dropped were the ministers of communications, justice, education and health, who belonged to the rightwing Democratic Rally party, which Mr Clerides founded 20 years ago. The finance minister, Mr Christodoulos Christodoulou, the coalition's "strongman", kept his post. *Andreas Hadjipapas, Nicosia*

Russian spies target Germany

Germany is far and away the top European target for Russia's intelligence services, whose methods are becoming more and more like those of the Soviet KGB, according to Germany's counter-espionage body.

The 1996 annual report of the Federal Office for the Protection of the Constitution (BfV) says that Russia's intelligence activities focus especially on Germany's attitude to the eastward enlargement of Nato and its stance on the Middle East peace process.

"Surveillance, especially in hotels, has been increased so much that it is occasionally reminiscent of the practices of the KGB."

The BfV also pays special attention in its report to the activities of the Iranian secret service, mostly in tracking exiled opposition groups. "There are numerous indications that the Iranian secret services have managed to build up a network of informers among the 100,000 or so Iranians living here," it says. *Reuter, Bonn*

E German farms face big bill

Germany's supreme court ruled yesterday that east German farmers must repay about DM10bn ($5.8bn) of debt from the Communist era. But the co-operative farms, which fear ruin if forced to foot the bill, should have easier conditions for paying off the debts, the court said.

The ruling was a setback for east German farmers and politicians who argued that Communist planners often forced them to take unnecessary credits to finance non-agricultural work such as building roads, schools or public offices in their villages. Eastern leaders wanted Bonn to shoulder the farm debts in the same way it paid off loans taken out by east German companies and local governments. But the Constitutional Court rejected an appeal by a collective farm in Saxony-Anhalt which argued that the debt burden violated its members' rights to their property. *Reuter, Karlsruhe*

ECONOMIC WATCH

Dutch price rises slow

Dutch inflation slowed to a provisional 2 per cent last month from 2.2 per cent in February, its lowest since last August. On the harmonised basis which the European Union has begun to use in preparation for the single currency, consumer prices were up 1.3 per cent in March compared with a 1.6 per cent rise in February. The EU figures exclude certain property taxes which the domestic data take into account. Month-on-month, the local index rose 0.6 per cent, picking up from February's 0.2 per cent. Increased tobacco duties and higher clothing prices as summer collections arrived in the shops were partly offset by cheaper petrol and vegetables. Inflation averaged 2.1 per cent last year, barely changed from 2 per cent in 1995. But ABN Amro economists are among those predicting an increase this year, during which it may touch 3 per cent. The stronger dollar and a rise in unit labour costs are blamed. Exports are again taking over from domestic demand as the main motor of economic growth. But retail sales data for January, released last Friday, still showed 7.4 per cent growth over a year earlier. *Gordon Cramb, Amsterdam*

■ The Swiss unemployment rate fell to 5.6 per cent in March from 5.7 per cent in February but was higher than the 4.6 per cent rate a year earlier.

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Pasqua looks to trim Emu's wings

France's ex-interior minister talks to David Buchan in Paris

An attempt to revive opposition in France to European monetary union will be made later this month at a convention of Demain La France (Tomorrow France), the movement led by Mr Charles Pasqua, the rightwing former interior minister.

So far, it is not a political party, more a refuge for some 3,000 conservative dissenters from the course towards Emu set by President Jacques Chirac and his prime minister, Mr Alain Juppé. But it could swing into action like a political party when France comes to ratify whatever emerges from the inter-governmental conference (IGC) on European Union reform.

In theory, this ratification will have nothing to do with Emu, which governments consider was settled five years ago at Maastricht. But Mr Pasqua claims that the "stability pact", agreed at December's Dublin summit, on financial disciplines in Emu tampers substantially with the Maastricht treaty, and must therefore be submitted to the people.

"This stability pact does not figure in Maastricht, and yet it puts countries into a straitjacket and removes their margin of manoeuvre in budgetary or social policy," said Mr Pasqua in a recent interview. "Therefore one must return to the people to consult them."

He would like a referendum: "It was by referendum that people were consulted on Maastricht and in the same way they should be consulted on the stability pact." But, at the very least, he wants the French parliament to pronounce on the stability pact as part of its ratification of the treaty revisions.

So far, the issue of the stability pact has been kept outside the IGC, but Mr Pasqua wants President Chirac to bring Emu back into the negotiation by presenting a formal demand for a "stability council as a political balance to the European central bank", so that politicians rather than central bankers run the currency zone.

There seems little chance of Mr Chirac doing this. France has conceded to Germany that the stability council should be informal. Nor can the president be forced to hold a referendum.

Politically, too, Mr Pasqua has, at least temporarily, lost his key ally in the 1992 anti-Maastricht referendum, Mr Philippe Séguin. The Gaullist president of the National Assembly is privately no keener on the euro than he was formerly, but he is keeping quiet to preserve his chances of succeeding Mr Juppé as prime minister.

But Mr Pasqua, whose rows with Mr Juppé have not prevented him retaining a reasonable relationship with the president, still believes Mr Chirac might respond to a groundswell of pro-referendum opinion.

Certainly, any issue concerning the single currency – even a complicated one such as the stability pact – is more likely to engage the French public or parliament than probable IGC tinkering with Brussels institutions. Though Demain La France is basically a conservative club, Mr Pasqua has carefully cultivated contacts with other anti-Emu parties on left and right.

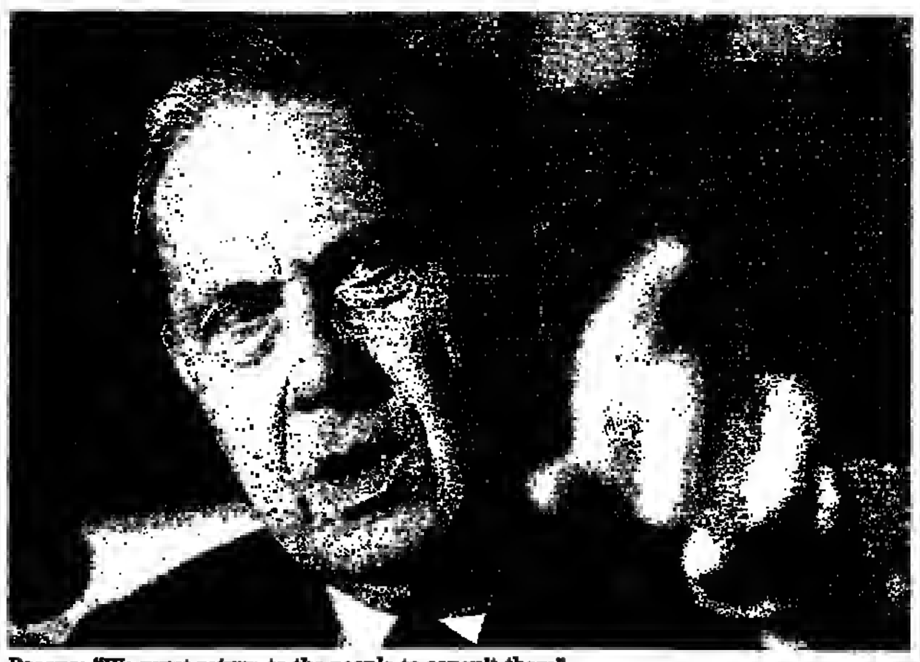
Another Euro-stick with which Mr Pasqua beats the government is its switch to the idea of deciding EU internal security and justice policy by majority vote and other "Community mechanisms". When he was interior minister, Mr Pasqua complained loudly that France's EU partners failed to co-operate in the fight against terrorism. But he thinks it "optimistic, even idealistic" to think this is going to change.

He remains a staunch advocate of EU governments keeping security and justice in their hands and not of those of Brussels. He voices "shock and surprise" at the government's switch, and believes it is part of a backroom deal to give Germany something in return for its agreement to an "informal stability council".

The other theme on which Mr Pasqua is seeking to relaunch himself is his version of "republican values", with a heavy stress on law and order. Many believe him one of the right's best weapons against the National Front. He is as good a populist as Mr Jean-Marie Le Pen, and his tough line on illegal immigration and insecurity and his opposition to Emu seem well calculated to cut the ground from under the Front's leader.

"I have long said I share many values with Front voters – family, country and so on. We Gaullists used to incarnate these values, but we have increasingly let the Front appropriate them."

Of the 15 per cent support that the Front commands on average in the country, he claims "only 3 per cent or so actually support neo-fascist theses – the rest are just discontented", and most of them come from the left.



Pasqua: "We must return to the people to consult them" Reuter

Stakes raised in Czech IT dispute

By Vincent Boland in Prague

The US technology group Unisys and Ceska Sporitelna, the Czech Republic's second biggest bank, have raised the stakes in a dispute over a computer contract by suing each other in a US court for more than $100m.

Sporitelna's suit, stemming from a 1992 contract for new technology, is the biggest ever by a Czech company abroad. Lawyers and information technology (IT) executives in Prague said it was an example of pitfalls awaiting buyers and sellers in a region spending heavily on imported technology.

The deal was for the provision of a Unisys computer system to modernise Sporitelna's handling of savings accounts, in which it has a near-monopoly. Worth at least $90m, it broke down in acrimony in 1995 and the bank withdrew, claiming that problems and delays in installing the system were hurting its position in the retail banking market.

It has emerged that both sides are seeking damages exceeding $100m over termination of the deal. Unisys is also seeking punitive damages.

Sporitelna is suing Unisys in a federal court in Philadelphia alleging that the US company "misrepresented" the system, inducing the bank to select "an unproven, unfinished and largely unworkable" product, then inducing it "not to terminate its relationship with Unisys when the insoluble problems with that system began to manifest themselves".

Unisys is countersuing for "fraud, negligent misrepresentation, intentional interference with prospective business relations and breach of contract" by Sporitelna. In a statement it said it expected "no material impact on its financial position from this action".

According to documents relating to the case made available by Gadsby & Hannah, the Boston law firm advising Sporitelna, bank executives told Unisys in late 1993 that the system was not working properly.

The following January Unisys offered a written guarantee the problems would be solved, and a new contract was signed for completing the installation.

But Sporitelna's frustration appeared to grow and in early 1995, "after finally realising that the system was never going to work", the bank pulled out of the contract, the documents say.

Sporitelna has already won one victory over Unisys in the dispute. The judge in the US case ruled last October that the bank's claim could be heard in court, and was not subject to an arbitration procedure, agreed by both sides when the contract was signed, to settle disputes arising out of the project. Unisys is appealing against that ruling.

Sporitelna's purchase of the Unisys system coincided with a drive by Czech banks to buy sophisticated western technology to bring their branch networks on-line after the banking market was opened to competition in the early days of economic reform.

Unisys said yesterday it continued to service a maintenance contract with Sporitelna in relation to parts of the disputed system that were installed before their relationship ended.

Spain to ease spending curbs

By Tom Burns in Madrid

Spain's government says it will ease spending constraints next year while continuing to shrink the budget deficit, in a mark of its confidence that the economy is set for sustained growth and low inflation.

Its four-year convergence plan covering economic targets from 1997 to 2000 will be approved by the government on Friday. Total spending is due to increase by 4.7 per cent in next year's budget and by an average 3.8 per cent over the period.

The projections contrast with this year's tough budget which froze public sector wages and increased total spending by just 1.6 per cent.

Unveiling the plan yesterday, Mr Cristobal Montoro, secretary of state for the economy, said a "fundamental change" had taken place because domestic inflation was now below domestic growth in real terms.

The government believes this year's austerity drive has pnt it on track to achieve a 1997 budget deficit of 3 per cent of gross domestic product, against an estimated 4.4 per cent last year. This would fulfil a key requirement for joining the proposed European single currency in the first wave in January 1999.

"We are now in a cycle of realistic growth. We have broken with wage indexation fuelled by high inflation and this allows the structure of the deficit to change," Mr Montoro said yesterday. New hiring and firing guidelines, negotiated by employers and unions and due to be made pnblic this month, would "ensure salary moderation and employment growth".

The government's optimism is fuelled by forecasts of near 3 per cent growth in GDP midway through this year, and a further fall in inflation to 2.4 per cent year-on-year in March, from 2.5 per cent in February. The March consumer price index is announced on Friday.

Undar tha convergence plan, GDP is set to grow by an average 3.2 per cent annually to the year 2000, year-on-year inflation to rise by an average 2.3 per cent and employment to increase by an average 2.1 per cent.

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French phone-tap scandal re-erupts

By Andrew Jack in Paris

Political tension mounted yesterday in France over whether the government should lift the national security ban blocking s court's attempts to investigate allegations of widespread phone tapping during the 1980s.

Mr Alain Juppé, the prime minister, said yesterday he had ordered an examination of documents seized last month in a garage near Paris which contain transcripts of hundreds of telephone conversations allegedly tapped at the order of ths late President François Mitterrand.

However, he said senior officials would retain their right to to plead national security in refusing to co-operate with the court.

According to press reports, at least 200 taps were ordered between 1982 and 1986, on individuals including Mr Edwy Plenel, a Le Monde journalist, and Mr Jean-Edern Hallier, a colourful writer who threatened to make public aspects of Mr Mitterrand's private life.

The information had allegedly been collected by Mr Christian Prouteau, the then head of the anti-terrorist unit at the presidential palace. He is at the centre of the current judicial inquiries launched in 1993.

Mr Prouteau, interrogated last Friday by the Paris judge heading the inquiry, has pleaded national security reasons in attempting to block tha investigation, as has Mr Gilles Ménage, former head of Mr Mitterrand's private office.

Mr Jnppé's refusal to waive their defence came in spite of calls to do so from Mr Lionel Jospin, the Socialist leader, and other politicians, soms of them from the centre-right majority.

Mr Valérie Giscard d'Estaing, another former president, described the affair as "repugant" and claimed nothing like that had happened when he was in charge in the 1970s.

However, Mr Michel Charasse, a former Socialist minister, sided with Mr Charles Pasqua, the rightwing ex-interior minister, in defending Mr Juppé. Tapping had been far more widespread at the time of General Charles de Gaulle, he said.

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Congress hint at talks over rift with UF

By Mark Nicholson in New Delhi

A newly conciliatory tone from Congress party leaders towards the United Front government yesterday raised the possibility of last-ditch talks between the two sides to head off a confidence motion set for Friday.

The prospect of talks came amid hints of a deal to keep the 13-party UF coalition in power with "redefined" Congress backing. It follows 10 tense days of public brinkmanship and private negotiations following the decision by Mr Sitaram Kesri, Congress president, to withdraw political support from the minority coalition.

The brinkmanship continued late yesterday, with the UF asserting that talks would begin today, but Congress leaders saying they would first await a "proposal" from the UF.

The UF coalition was expected to comply, with its leaders welcoming a "substantial adjustment" in Congress's position yesterday. They said Congress's apparent softening appeared to have resulted from strong pressure on Mr Kesri from his party's MPs.

Mr Kesri's move surprised and appalled some senior Congress leaders, some of whom have privately called the party president a "fool" for risking a snap election which most indicators suggest would inflict further losses on what was once India's predominant party.

A fresh poll would also offer the prospect of victory for the Hindu nationalist Bharatiya Janata party (BJP), branded as "communnal" by both Congress and the UF.

Mr Kesri originally withdrew support claiming UF rule had led to "economic drift" while arguing that Mr H.D. Deve Gowda's government had allowed the "menace of communalism" to thrive.

However, numerous commentators said Mr Kesri felt under personal attack by Mr Gowda and feared the prime minister intended to embroil him in criminal and corruption cases, of the type which have ensnared several Congress leaders since last year's elections.

Separately yesterday, a Delhi court dropped money laundering charges against a senior Congress politician, Mr V.C. Shukla, and Mr L.K. Advani, leader of the BJP, citing lack of evidence. The charges were laid last January in India's biggest ever political bribes affair.

Mr Pranab Mukherjee, a senior Congress leader, put chances of securing a compromise before Friday's vote at "fifty-fifty" last night. But he said in an interview: "We are not rigid, we do not want elections at this juncture if it can be avoided. We also don't want the BJP to take advantage of the situation and form a government."

Indeed, Congress backed away from insistence the UF replace Mr Gowda as UF leader. Mr Kesri, who at the weekend launched a personal attack on Mr Gowda, calling him "worthless" and "communal", effectively retracted the insult, adding Congress was "hungry for respect, not for power".

Malaysia shares up as curbs ease

By James Kynge in Kuala Lumpur

Share prices rose sharply in Malaysia yesterday after the central bank eased curbs on lending which it recently introduced to puncture an emerging "bubbla economy".

The Kuala Lumpur stock exchange's leading index climbed 28.02 points to close at 1,162.25, recouping some of the 6.6 per cent lost since Bank Negara announced late last month it would cap financial institutions' lending for property and share purchases.

The central bank acted amid concern that Malaysian banks and finance houses, burdened by heavy exposure to the over-supplied property sector, may follow their counterparts in Thailand, where the authorities have unveiled rescue packages to bail out finance houses hit by the property price slump.

Under tha measures announced on March 28, Bank Negara limited lending to the property sector to 20 per cent of banks' total outstanding loans, except when those loans were for homes costing M$150,000 ($60,325) or less, key infrastructure projects or industrial facilities. It also imposed new curbs on lending by financial institutions for share purchases.

That provoked much confusion in the markets, mostly centred on the curbs on lending to the property sector. "I think people have over-reacted," said Mr Fong Weng Phak, Bank Negara's deputy governor, referring to the subsequent share market sell-off. Yesterday, Mr Fong listed exemptions to the curbs, which took effect on April 1, prompting the stock market rise.

"We know there will always be grey areas and loopholes, but we think it timely to implement these pre-emptive measures before the asset inflation bnbble bursts," he declared.

Under yesterday'e easing of the rules, mnch of the property aector will be excluded from compliance with the March 28 rules, including "owner-occupied" dwellings, theme parks and holiday resorts.

Also exempt is the extension of working capital to any business, even if it is in the property sector. In building projects which combine houses costing less than M$150,000 with more expensive developments, the curbs will apply only to the more expensive portion.

Financial institutions with over 20 per cent of their loan portfolio already devoted to property need not call in any lines of credit, Mr Fong said. Such banks would be expected only to "work toward" meeting the curb later. Companies would also be exempt from the curbs on lending for share purchases and lending to initial public offerings for manufacturing and infrastructure. Institutions have until April 15 to propose how they will conform to the guidelines.

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Mahathir warms to opposition territory

The north-eastern state of Kelantan has for years had a reputation as Malaysia's "sleepy hollow". While the national capital, Kuala Lumpur, now boasts the tallest buildings in the world, Kelantan's state capital has only a few that rise above the tree tops. Trishaws mingle with the sparse traffic and, in government offices, telephones can ring for minutes before someone sees fit to answer.

The national government looks upon the state with some disdain and blames its slower pace of development on the devoutly Islamic opposition party which runs it, Parti Islam se-Malaysia (PAS). For its part, PAS says the central government is responsible for its somewhat arrested progress because it discourages investment in Kelantan in an attempt to portray the opposition party as backward and too radical in its Islamic beliefs.

These conflicting assertions have given rise to moch bickering since 1990, when PAS won power in an election.

Now, however, the wind is changing and the result could be a faster pace of development for a state with undeniable potential.

Last week Dr Mahathir Mohamad, the prime minister, made a trip to Kota Bharu, the state capital of Kelantan.

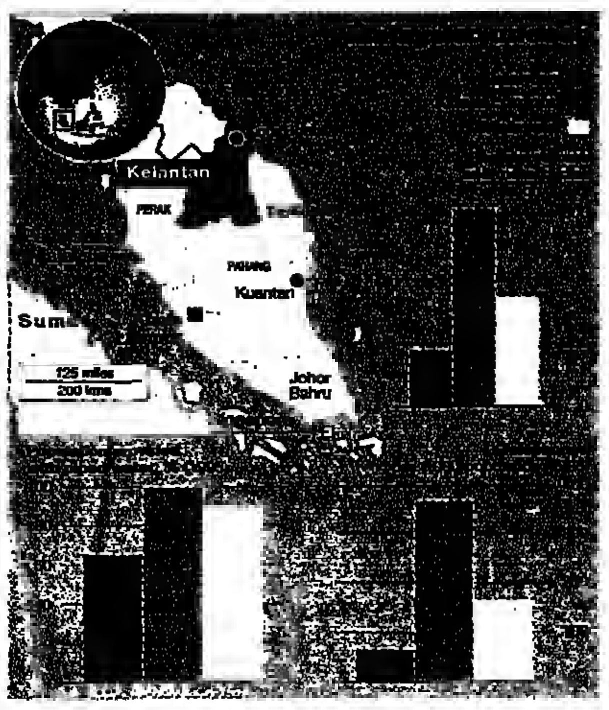
For the first time in his 16 years as the nation's leader he held a public meeting with Mr Nik Aziz Nik Mat, Kelantan's chief minister and leader of PAS. Dr Mahathir emerged from the dialogue suggesting that a new era of co-operation was at hand with the only Malaysian state that remains under opposition control.

"We may have political differences but we can do business together," Dr Mahathir said.

To emphasise the point, he presided over a ceremony to launch what would be Kelantan's single largest industrial project – a US$800m petrochemical complex to be built by 2003 near Kota Bharu. The partners in the project are Keloil, Kelantan's own oil company, which currently has few operations, and KUB Malaysia, a large company controlled by Dr Mahathir's United Malays National Organisation (Umno), the dominant party in the ruling coalition.

There were few details on the 2,000ha project, which some say was kept purposely vague to provide an easy escape should the new co-operative spirit turn sour. But for now, Mr Hassan Harun, the chairman of KUB and a native Kelantanese, was upbeat.

"The oil and gas industry could be the catalyst for the development of Kelantan. There's no other industry capable of pulling Kelantan out of its doldrums," Mr Hassan said. Details are sketchy, but Kelantan state government officials say that 7,000bn cu ft of gas was detected off the state's coast two years ago by a consortium led by Petronas, the national oil company. They add that Petronas has not drilled because it wants to avoid paying royalties to the PAS authorities. This was strongly denied by central government.



The new spirit of co-operation may also boost the tourism industry, state officials said. Although alcoholic drinks, karaoke and night clubs are virtually banned, the state is recognised as a repository of traditional Malay culture and has some of the country's best beaches. Its leading venue, the Pantai Cinta Berahi resort, stands on what was called the "beach of passionate love" but which PAS recently renamed, more demurely, the "beach of moonlight".

Foreign businessmen in Kuala Lumpur said that the central government's attitude toward proposed investments in Kelantan has, until now, been one of indifference.

"They say that we can go ahead and invest there if we want but we should not expect the assistance of the central government if things go wrong," said one foreign businessman. Others said that the state may be attractive for manofacturing, partly because wages are lower there.

It is clear that Dr Mahathir's strategy is calculated to win support for Umno from Kelantanese. He brought with him to his meeting with Mr Nik Aziz about 30 of Malaysia's corporate leaders. Some of them were Kelantanese who head companies in Kuala Lumpur. "The prime minister told them that they could now start investing here as long as they made clear to everyone that they are allied to Umno and not to PAS," said an aide to a central government minister who also attended.

But a day later, in an interview, Mr Nik Aziz was less than impressed with Dr Mahathir's overture. "If he really cares about the people of Kelantan, why didn't he come here like this six years ago?" he said.

In addition, there is a question about how much PAS really wants foreign investment. The chief minister, an Islamic scholar who is known locally as "Sir Guru", said he felt pity over the "social ills" such as drug abuse, alcoholism and corruption that have accompanied Kuala Lumpur's rapid development.

"Wa look at Umno not only as our enemy but also as our patient. We need to give them a cure," he said.

James Kynge

Strike by truckers costs $1bn exports

A week-old strike by hundreds of thousands of Indian truckers has cost $1bn in lost export earnings and created a cargo backlog at ports that could take three weeks to clear, Mr Ramn Deora, president of the Federation of Indian Export Organisations, said yesterday, Mark Nicholson reports from New Delhi.

Some loading and unloading continued at most ports yesterday, the strike's eighth day, but the dispute had "effectively brought trade to a standstill," said Mr Deora, whose organisation represents 80 per cent of India's exporters.

The All-India Motor Transport Congress, representing 3m owners and owner-drivers of trucks and commercial vehicles, called the strike to protest at a 5 per cent hauliers' service tax introduced in the government's February budget and rises of 300-400 per cent in road insurance premiums.

With 65 per cent of Indian freight carried by road, the strike has led several companies to shut factories. It is affecting supplies of coal, steel, cement, chemicals and fuel to several states and has caused food shortages.

Grain prices have risen by up to a quarter. The New Delhi factory owners' association said the strike had hit local traders hard.

It has further hurt India's export performance, which has already been weaker recently. Export growth from April last year to February fell to a rate of just 6.5 per cent, against a 20 per cent government target.

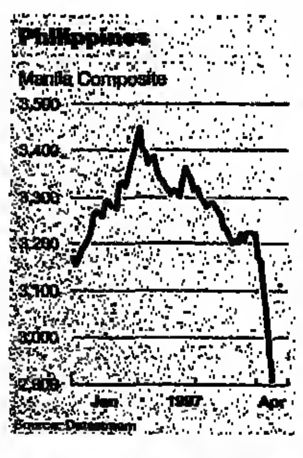
Manila shares fall 2.7% amid fears of financial downturn

By Justin Marozzi in Manila

The Manila stock market plunged to a six-month low yesterday amid fears that the banking and property sectors were heading for a Thailand-style downturn.

Continuing a six-day losing streak, the main index fell 2.7 per cent on the day, crashing through the 3,000 point support level, before recovering to close at 2,909.30, down 81.66 points, in the worst day's trading since October 29.

A recent report by the central bank said that banks' exposure to the booming property sector amounted to about 10 per cent of total outstanding loans and was not a cause for alarm. However, some analysts have questioned the accuracy of banks' reporting and suggested the true figure might be closer to 21 per cent. Deutsche Morgan Grenfell believes the figure is at least 15 per cent.



The International Monetary Fund and the World Bank have both recently highlighted the widening current account deficit as a potential cause for concern, prompting some analysts to draw parallels with Thailand's financial crisis.

However, Mr Gabriel Singson, governor of the Philippines' central bank, argues that the Philippines' rising trade deficit is consistent with its current level of development. Import growth, he says, has been capital-led and not consumer-led, and he dismisses fears of a Thai-style crisis.

"Although the symptoms of the crisis that hit Thailand are starting to flourish in the Philippines, we think that with the cautious stance banks are taking, we might avoid such a scenario," said Mr Mike Oyen senior investment analyst at Deutsche Morgan Grenfell in Manila. "We think the sell-down on the banking sector is overdone, but we will be looking closely now at banks' provisioning levels, real estate exposure and dollar loan exposure."

With the recent interest rate rise in the US, slower than expected export growth for January and February and the recent initial public offering of Equitable Bank, analysts say there has been a strain on liquidity.

Metrobank, one of the Philippines' top banks, led yesterday's slide, falling more than 6 per cent in heavier trading than usual. The banking sector ended down 2.4 per cent.

The property sector also continued its recent correction, falling more than 5 per cent. Ayla Land, the property arm of Ayla corporation and the country's flagship real estate group, fell by 7 per cent.

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Decline in yen's value reduces dollar-denominated aid-giving

Japan to lose top donor title

By Gwen Robinson in Tokyo

Japan is likely to lose – to the US – its position as the world's top aid donor, following a plunge of 35 per cent in its official development assistance in 1996 to $9.58bn, the first decline in dollar terms in seven years.

Overseas aid figures for other leading donor countries have not yet been released. Japan has been in the top position since 1991, when it surpassed the US.

Japanese foreign ministry officials put part of the blame on the yen's weakness against the US dollar – the Japanese currency weakened to a four-year low yesterday, touching Y126 against the dollar in Tokyo. They said the yen weakness drove down the dollar value of Japan's official development assistance (ODA) in 1996.

Other reasons were budgetary cuts in ODA projects and the temporary suspension of official assistance to China.

Furtber reductions have been planned in the ODA budget over the coming years, as part of the government's fiscal austerity programme.

Together with prospects for the dollar's continued climb against the yen, the budget cuts will further erode Japan's international aid contribution.

Officials say it is now virtually impossible for Japan to attain its five-year official aid target of disbursing a total $70bn-$75bn in the period from April 1993 to March 1998. In the first four years to March 31, Japan disbursed only about $49.3bn.

Viewed in relation to gross domestic product, a widely used gauge for ODA contributions, Japan's 1996 budget comes in at just 0.21 per cent of GDP, the lowest ratio in 20 years. Before the recent reductions, it was 0.3 per cent.

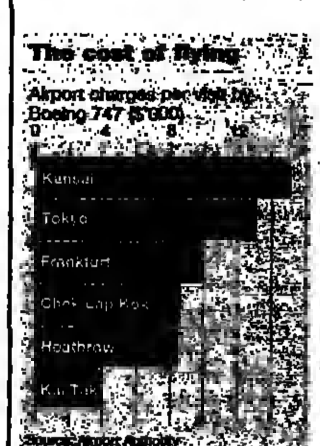
But the decline can also be seen as a result of domestic political criticism of Japan's ODA programme, as well as complaints from developing nations about the tied nature of many ODA projects and the priority they attach to contracts for Japanese industry.

Until recently, Japan's ODA programme was regarded as a key foreign policy tool and was described in government reports as "an important pillar of Japan's contribution to the international community".

In the new atmosphere of fiscal austerity and the government's push for financial reform, overseas aid has become less of a priority. A working group established by the government and the ruling Liberal Democratic party is studying ODA appropriations and is likely to recommend further budgetary cuts and streamlining of the aid programme.

ASIA-PACIFIC NEWS DIGEST

HK airport defends charges



Hong Kong's Airport Authority yesterday defended proposed charges for the territory's new airport, dismissing airlines' claims that the level of costs would undermine Hong Kong's competitiveness as a regional aviation hub. Mr Clinton Leeks, corporate development director, said the airlines' criticisms were highly selective. "Even by their own figures, which we do not accept, we would only be marginally more expensive than a broad group of international airports, many of which will not be able to offer the same level of facilities," he said.

Speaking before discussions with airline industry representatives later this month, and amid growing complaints over the level of costs, Mr Leeks said that proposed charges were still open to discussion. But he played down the prospect of any significant change, arguing that the authority was bound by its ordinance to deliver a satisfactory rate of return to the taxpayer and that its responsibility was to the public, not the airlines.

The Airport Authority said its intended user charges for a Boeing 747-400 at the new Chek Lap Kok airport were HK$66,877 ($8,630), compared with HK$31,426 for Kai Tak, the existing airport. *John Ridding, Hong Kong*

Pakistan targets black market

The Pakistani government is drafting a law to punish black marketing of flour in the wake of acute shortages, a senior official said in Islamabad yesterday. People hoarding large quantities of flour to force up market prices would be jailed or be heavily fined under the law, to be submitted to parliament this month.

The initiative follows ugly scenes in the northern city of Peshawar this week where schools and colleges were shnt down after a rampage as people struggled to find supplies of flour. *Farhan Bokhari, Karachi*

Australian bank merger move

Mr Peter Costello, Australia's federal treasurer, is to release the Wallis report into the country's financial services industry later today, heralding fresh speculation that anti-merger constraints in the sector will be eased.

The impending release of the report, originally expected before Easter, gave bank shares an immediate fillip yesterday. The banking index closed 29.4 points higher at 4,086.2, with National Australia Bank and Commonwealth Bank among the strongest gainers. *Nikki Tait, Sydney*

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Pressure to ease debt relief plan rules

By Robert Chote, Economics Editor, in London

Officials at the World Bank and International Monetary Fund have warned their executive boards that the rules of their joint initiative to tackle poor country debt may need "substantial changes" to stop them discriminating against countries which are relatively open to foreign trade.

Pressure for change arose after IMF and World Bank economists concluded that Ivory Coast would not qualify for assistance under the present rules, even though its external debts are relatively high compared to both government tax revenues and the size of its economy. Between eight and 20 countries are eventually expected to benefit.

Mr Michel Camdessus, the IMF's managing director, said on a visit to Paris yesterday that he bad "made proposals which should produce a positive result for Ivory Coast, but points of view are still a little divergent". The French government has been lobbying hard on behalf of its former colony which is a key ally in west Africa.

Mr Camdessus's proposed rule change is already proving controversial, with some directors at the IMF arguing that any extension of the debt relief plan would be dangerous.

"The ootion that there are French political interests involved bere is very clear," said one, arguing that Mr Camdessus's comments in Paris might well harden the resolve of those opposing a rule cbange. But a senior official at the World Bank denied that a rule change was being sought simply to benefit Ivory Coast, but to address a general problem.

The initiative involves creditor governments increasing the debt relief they normally offer poor countries, with multilateral institutions then providing any further help oecessary to reduce total external debt to a sustainable level. Sustainability is assessed by looking at the ratio of external public debt – measured on a net present value basis – to export earnings.

The initiative was originally drawn up on the assumption that countries could sustain debt-to-export ratios of between 200 and 250 per cent, although staff now concede that it is sensible to set targets at the lower end of this range. Of the countries considered so far, debt-to-export targets have been proposed at 200-220 per cent for Uganda, 205-225 per cent for Burkina Faso and 215-235 per cent for Bolivia.

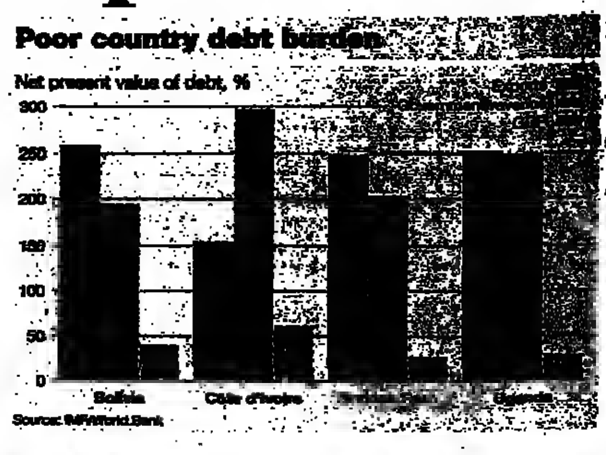
The total cost of the proposed debt relief for these three countries would be between $437m (£266m) and $1.105bn (£674m), depending on the precise target chosen and the date at which relief would be assessed and delivered. Both Uganda and Bolivia have argued for more generous debt targets and earlier "completion points" for the delivery of relief, which would raise the cost significantly.

Ivory Coast would not be eligible because its debt-to-export ratio is forecast to stand at only 156 per cent at its assumed completion date in 2000.

The country's debt-to-export ratio is low because it exports half as much again of its output as most other highly indebted poor countries. But its debt-to-GDP ratio is twice as high as that for most other countries, while its ratio of debt to government revenues is about 35 per cent higher.

A number of Bank and Fund directors have argued that the eligibility criteria should therefore be widened to take this into account. But others fear that setting targets for debt-to-revenne ratios would discourage countries from collecting tax because it would damage their chances of securing debt relief.

"This would be a substantial change to the architecture of the initiative," the staff have warned their boards in an internal memo. "If such a change were to be made, it should be done at an early stage."



Oil-abundant Nigeria runs short of fuel

By Antony Goldman in Lagos

Nigeria, one of the world's biggest oil producers, is suffering escalating fuel shortages which threaten to paralyse economic activity.

In Lagos, which alone consumes nearly a third of national output, petrol is trading on the black market at about five times the official rate of 16 US cents a litre. Many workers can no longer afford the inflated prices charged by the few public transport operators still on the road.

Colonel Mohammed Buba Marwa, the Lagos state administrator, has described the situation as "unbearable" and the cause of "untold suffering."

Shortages have spread from Lagos to most of the south-west and are now affecting Abuja, the capital, and other cities further north. The authorities have offered no official explanation as to the cause of the most serious and prolonged petrol crisis since a national oil workers strike three years ago.

Privately, however, the state-owned Nigerian National Petroleum Corporation (NNPC) blames the finance ministry for pushing through cuts in the crude oil allocation received by the country's three functioning refineries from 300,000 b/d to 250,000 b/d.

It says this is insufficient to meet demand estimated at 18m litres a day. The NNPC further accuses the ministry of failing to release $200m allocated for the refurbishment of those facilities.

Finance officials in turn say that crude earmarked for the domestic market is instead finding its way abroad, prompting additional costs and perennial shortages. Officials argue that it would be cheaper, more reliable and efficient to import refined petroleum products.

The dispute is the latest in a series between Mr Anthony Ani, the finance minister, and Mr Dan Etete, who heads petroleum resources. Last October, Mr Ani advocated the total privatisation of the NNPC, a move fiercely resisted by Mr Etete who has lobbied instead for a more prominent role for his ministry in all sectors of the oil industry. General Sani Abacha, the head of state, has endorsed the principle of liberalisation and a reduced role for the state in the management of the economy.

In practice, however, no moves have been made to dismantle the NNPC's dominant position. With the crisis now spreading beyond the south-west where opposition to military rule is strongest, the government appears to have decided to resume petroleum imports.

Zairean rebels to safeguard diamond output

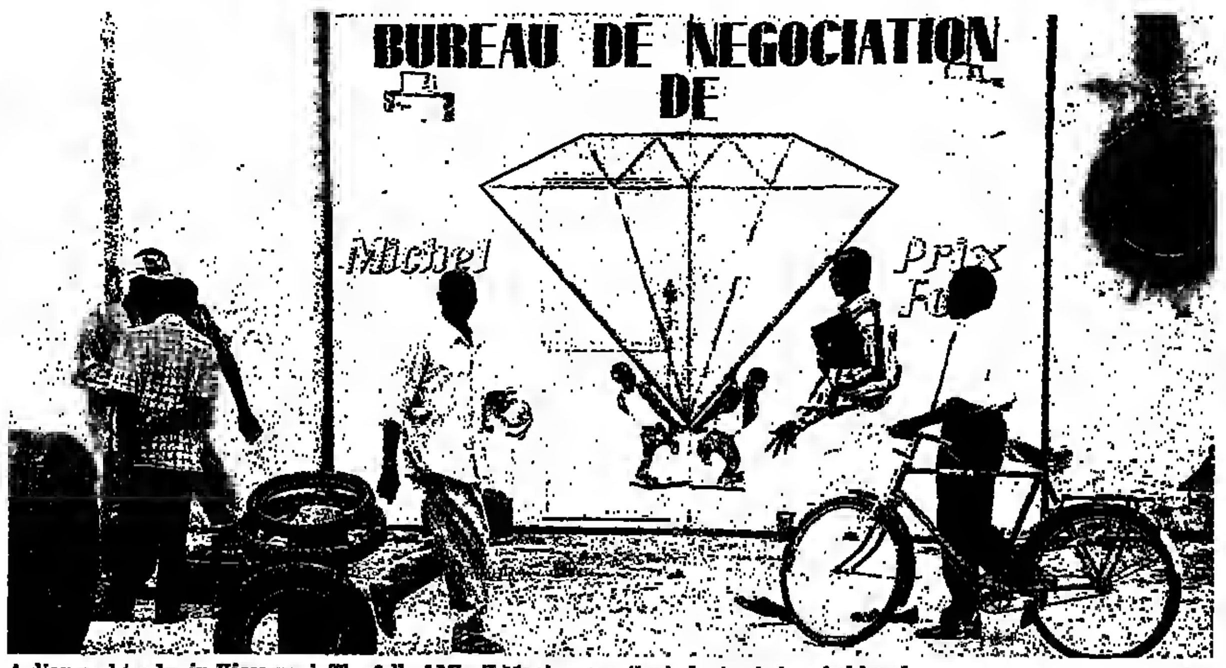
By Michela Wrong in Mbuji-Mayi, Zaire

Zaire's rebel movement has signalled its intention to take diamond production in the regional capital of Mbuji-Mayi back to pre-invasion levels and incorporate the economy of the traditionally rebellious east Kasai province into the rest of occupied territory.

Officials at the Societe Miniere de Bakwanga (Miba), the state-controlled mining company, said one of the rebels' first acts wbeo they reached Mbuji-Mayi oo Friday was to send fighters to the Polygone, Miba's concession on the edge of town.

Fighters from the Alliance of Democratic Forces for the Liberation of Congo (ADFL) chased away illegal diggers who had swarmed into the concession as law and order collapsed and the soldiers on guard started looting.

The officials said only two days of production – representing a total of 30,000 carats – had been lost and, as a result, damage to Miba, Zaire's single biggest producer of diamonds, had been less serious than expected.



A diamond trader in Kisangani. The fall of Mbuji Mayi means the industry is in rebel hands Reuter

Since Mr Laurent Kabila, the rebel leader, flew into Mbuji-Mayi on Monday the rebels have been careful not to ruffle sensibilities in the town, which has a history of rejecting central authority.

Although ADFL officials are keen to oust Mr Mukamba Kadiata Nzemba, head of Miba and a former ally of President Mobutn Sese Seko, they acknowledge he is popular, especially for the efforts he made to prevent looting by retreating Zairean soldiers, ferrying them to Kinshasa on Miba aircraft

After a meeting on Monday night with local diamond operators, ADFL officials agreed to postpone changes to Miba's management until an audit had been carried out.

They have also treated the emotional issue of east Kasai's currency carefully. Since 1993 the province has refused to adopt the new zaire issued by Kinshasa's central bank, and still uses the old zaire.

The ADFL wants the province to adopt the new zaire, in use in the rest of the area under its control. But the suggestion triggered protests at Monday's meeting and the ADFL's finance "minister" immediately promised businessmen they could choose their own currency.

On one issue, however, the ADFL appears to be standing firm. Diamond operators have been told that licences for buying counters must be bought in Goma, the ADFL's administrative base. "That's dangerous. For decades the money from Mbuji-Mayi was funnelled to Kinshasa withont being invested locally," said one buyer. "We don't want to see that happening again."

Meanwhile, rebels continued to besiege Lubumbashi, in southern Zaire, yesterday as delegates at peace talks in South Africa said both sides had "agreed on negotiations to bring about a peaceful, political solution to the conflict. This necessitates a complete cessation of hostilities."

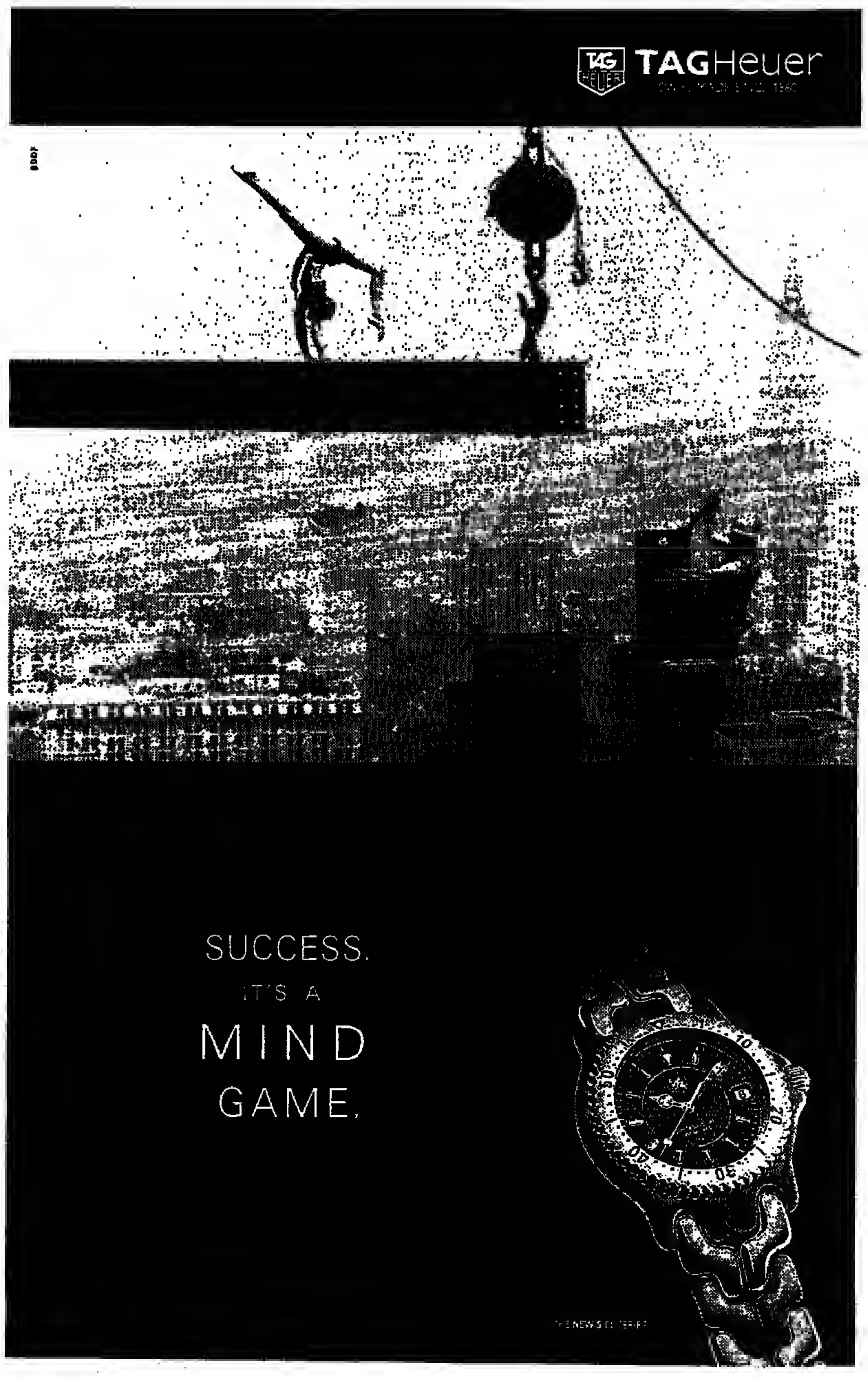
Commodities, Page 28

Oil minister replaced

Mr Saparmurat Niyazov, president of Turkmenistan, has named Mr Batyr Sardjaev, the deputy prime minister, as oil and gas minister of the central Asian state, according to a decree published yesterday, Reuter reports.

Mr Sardjaev replaces Mr Gochmurad Nazdzhanov, who will now be supervising the construction of planned oil and gas pipelines to link gas-rich Turkmenistan with Pakistan via Afghanistan with the participation of the US oil company Unocal.

At a televised government meeting late on Monday, Mr Niyazov berated Mr Nazdzhanov for shortcomings at the ministry and over work on a $1bn rehabilitation of the Turkmenbashi oil refinery in the west of the country.



Bank regulators propose tighter rules for emerging markets

By Richard Lapper, Capital Markets Editor

Bank regulators today issue new proposals designed to tighten supervision in emerging markets and promote greater stability in financial markets.

The Basle Committee, which gronps supervisors from the central banks of the leading industrialised countries, has drawn up a set of 25 basic principles in collaboration with supervisory authorities from 15 developing countries, including China and Russia.

Its work was prompted in part by the Mexican financial crisis at the end of 1994 and is published at a time when the banking systems in a number of developing countries face difficulties.

"This will not shake up snpervision in the major countries, but it could have a significant effect in some emerging markets," an official close to the Basle Committee said. "We see this as a major contribution to improving supervisory standards worldwide, potentially as significant as the Basle capital accord," a Bank of England spokesman added.

The Basle capital accord, reached in 1988, requires banks to hold a capital cushion amounting to at least 8 per cent of their total assets.

It is the first time the committee has worked in such close collaboration with enthorities outside the Group of Ten countries. Representatives from Chile, China, the Czech Republic, Hong Kong, Mexico, Russia and Thailand joined G10 members in the group which prepared the document; eight other countries – Brazil, Hungary, India, Indonesia, Korea, Malaysia, Poland and Singapore – were "closely associated" with the effort, the committee said.

The proposals are contained in a 43-page document entitled "The Core Principles for Effective Banking Supervision", which details the basic elements of what the Basle committee considers "an effective supervisory system" and is intended to serve as a basic reference for supervisory and other public authorities worldwide.

The report says supervisors should operate within a consistent legal framework but should enjoy operational independence and adequate resources, as well as being free from political pressure.

Other sections detail prudential requirements such as the need for minimum capital requirements, and outline the need for licensing and the importance of adequate records and information. The report stresses the importance of links and the exchange of information between regulators in different countries.

It is hoped a final version of the document, which is being released for consultation, will be finalised in advance of the IMF and World Bank annual meeting in Hong Kong in September.

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CONTRACTS & TENDERS

PORT OF TALLINN ANNOUNCES TENDER

Port of Tallinn announces tender with preliminary negotiations for the lease of the grain terminal in Muuga port. The term of the lease is 25 years. The capacity of the terminal is up to 5 million tons per year.

Port of Tallinn will hand over conditions of the tender at the address of Tallinn, 25 Sadama Street, room 408, Estonia, on working days from 10 a.m. to 4 p.m. (local time) at the presentation of the copy of order of payment for the participation fee. The participation fee in the amount of 15 000 EEK is to be paid to the account No 221001138983 of AS Tallinna Sadam in Hansapank, code 767. For additiooal information please contact Port of Tallinn, tel. 372 6 318 013, fax. 372 6 318 005.

The bids are to be presented in a sealed envelope in Estonian or English no later than 7th May, 1997 at 2:00 p.m. (local time) to AS Tallinna Sadam at the address of Tallinn, 25 Sadama Street, room 408, Estonia. The tender will be carried out according to the applicable Estonian law. Port of Tallinn reserves the right to reject any of the bids or to nullify the tender for no given reason.

Port of Tallinn announces tender with preliminary negotiations for the lease of the container terminal under construction in Muuga port. The term of the lease is 25 years. The capacity of the first stage is 60 000 TEU per year, the capacity after the second stage will be 200 000 TEU per year.

Port of Tallinn will hand over conditions of the tender at the address of Tallinn, 25 Sadama Street, room 408, Estonia, on working days from 10 a.m. to 4 p.m. (local time) at the presentation of the copy of order of payment for the participation fee. The participation fee in the amount of 10 000 EEK is to be paid to the account No 221001138983 of AS Tallinna Sadam in Hansapank, code 767. For additional information please contact Port of Tallinn, tel. 372 6 318 013, fax. 372 6 318 005.

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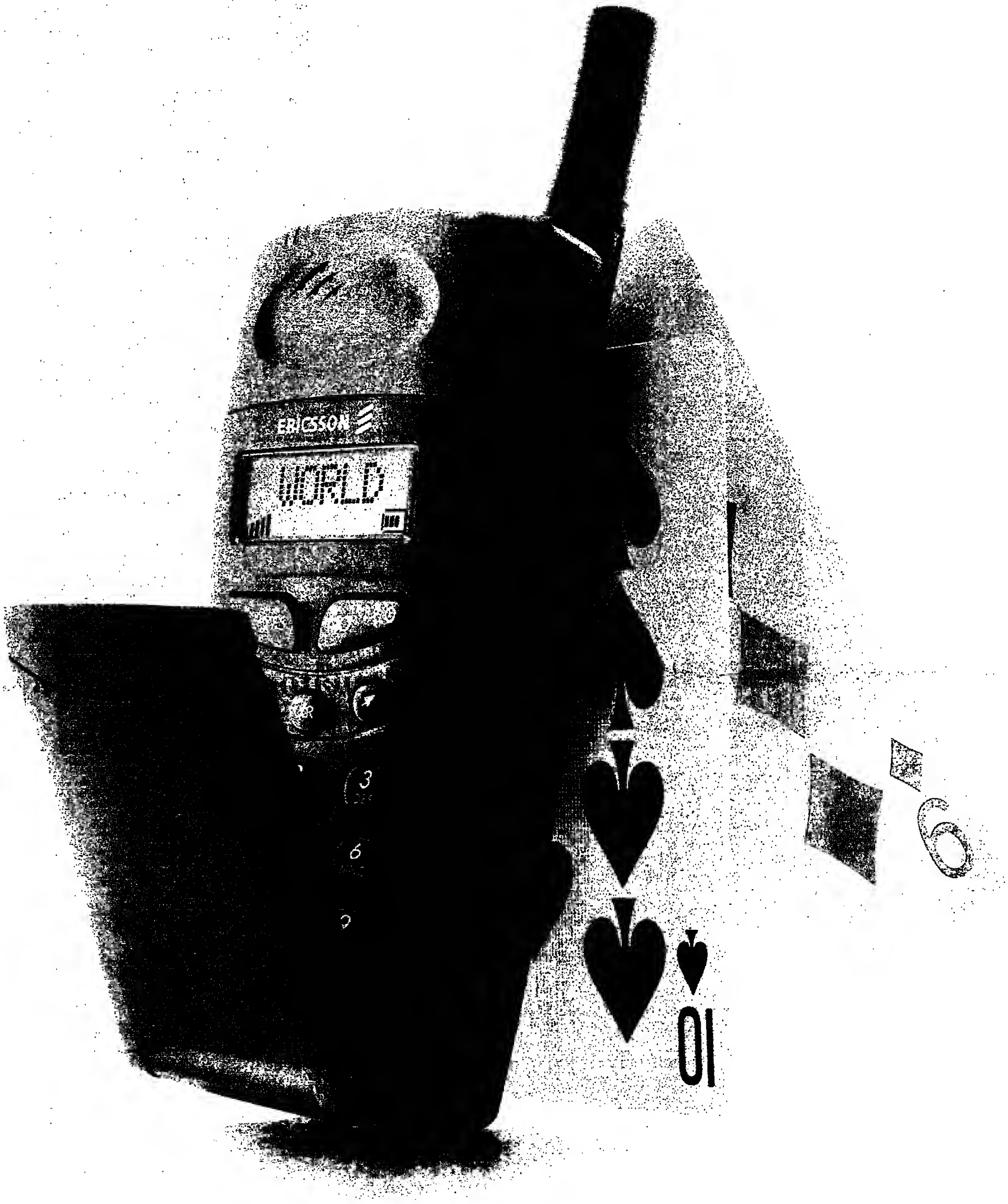

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ERICSSON

EU in steel import deal with Moscow

By Neil Buckley in Brussels

The European Union will open its market fully to Russian steel imports by the end of 2001, provided Russia introduces EU-style rules on competition policy, state aid and environmental protection in its steel sector, under a deal agreed by European Commission and Moscow officials.

The agreement must be approved by EU ministers and the Russian government, but is expected to begin in the autumn.

It increases EU import quotas on certain flat and long steel products by 10 per cent this year to 841,224 tonnes, followed by a 5 per cent increase in 1998, and a 2.5 per cent increase in each of the following three years.

The European Commission was given a mandate by EU ministers last September to negotiate a new deal with Russia to replace a steel agreement due to expire this June, but now extended until September. A similar agreement was reached with Ukraine last month.

A deal was required to avoid conflicts between the EU and Russia, which has been forced to sell steel very cheaply into world markets in order to maintain production. It has faced complaints of steel dumping even from low-cost producers such as Thailand, Chile and China.

The quotas include 430,000 tonnes of steel coils for re-rolling, used by east German steel maker Ekostahl – now owned by Belgium's Cockerill Sambre.

Quotas will be removed by the end of 2001 provided Russia has implemented the necessary competition and environmental legislation. If Russia introduces the new rules – or joins the World Trade Organisation – before 2001, officials said the agreement would be reviewed, and the EU might open its market earlier.

The EU will provide technical assistance, under the Tacis programme, to Russia in drawing up legislation, and in improving Russian steel products so they can compete at global prices.

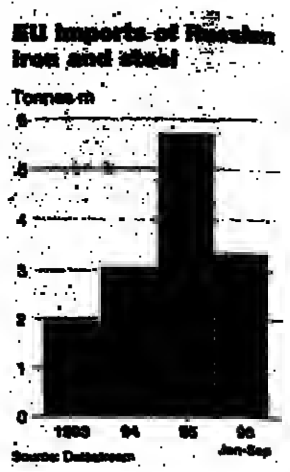
The deal also includes a "double-checking" arrangement for other Russian steel products not covered by quotas, in an attempt to avoid complaints about dumping. Both sides will monitor the products to ensure they are not being "dumped" into the EU market at below-cost prices.

Some 14 per cent of Russian and Ukrainian steel imports into the EU are currently covered by quotas.

Before the collapse of the Soviet Union, the EU exported 5m tonnes of steel there annually, mostly for pipelines. The Soviet Union exported virtually no steel to the EU.

Since 1991, however, the situation has reversed. EU exports to Russia have dwindled to barely 150,000 tonnes a year, while Russian sales to the EU are 5.7m tonnes a year.

EU imports of Russian iron and steel



Source: Datastream

REQUEST FOR INFORMATION (RFI)

In the context of its plan to upgrade its existing operations and systems, IONIAN BANK is seeking information on Dealing Room and Treasury Management systems.

Thus, this request is addressed to companies which cover the above area and provide modern, integrated solutions, asking them, as a first step, to supply the requested information by 30.4.97.

Interested companies can receive the Detailed Request for Information from the bank's Organization Department, Gambetta 8, 10678 Athens - (contact: Mr. Dimitris Papadimitriou, tel. 01-3304010-19, ext. 285 or 01-3619351), or from the bank's London Branch, Pinners Hall, 105-108 Old Broad Street, London EC2N 1EH (contact: Mr. Tony Waddington, tel. 0171-4261400).

IONIAN BANK

WORLD TRADE NEWS DIGEST

Nissan to start Taiwan exports

Nissan is to start exporting luxury cars to Taiwan, becoming the first Japanese carmaker to do so after Taipei lifted a 23-year ban on Japanese car imports in February. Taiwan agreed in February to phase out its ban on the import of Japanese cars, as a part of its bid to qualify for membership in the World Trade Organisation. Other Japanese carmakers plan to follow suit but the volume of exports is likely be low as most of the companies already manufacture cars there.

Under the agreement, Japanese carmakers can export 7,700 cars to Taiwan by the end of 1997, of which Nissan's allocation was 1,081 units. Nissan said it would begin exporting the 4,100 cc Infiniti Q45 next month. The company has a Taiwan production and sales base, Yulong Motor, which manufactures six Nissan sedan and truck models. A total of 68,000 Nissan cars were sold there in 1996. Toyota, Japan's largest carmaker, said it was currently selecting models to be exported to Taiwan. The new agreement allows Toyota to export up to 1,997 cars this year, but it has not yet decided when it will start the exports. In 1996, Toyota sold about 90,000 cars, including those made in the US, in Taiwan. The company also manufactured about 79,000 cars at a local venture last year. Honda said it was also considering exporting cars to Taiwan and Mitsubishi Motors said it was considering exporting a sport utility vehicle. *Reuter, Tokyo*

Skoda wins US bus order

Skoda Pilsen, the Czech engineering conglomerate, has won an order worth up to Kc6bn ($207m) to supply trolley buses to the city of San Francisco. The contract is one of the biggest to be won by a Czech company and is a rare piece of good news for Czech exporters struggling to win new markets in the west. It comes at a time when the country's worsening trade deficit is blamed partly on Czech companies' inability to compete in tough markets abroad. It is the second trolley bus contract won by Skoda in the US – it is supplying 54 buses to Dayton, Ohio.

The buses for San Francisco will be built in the Czech Republic and assembled at ETI, a Skoda joint venture in Baltimore. *Vincent Boland, Prague*

Japan threatens retaliation

Japan may retaliate if sanctions are imposed by the US against Japanese ships in a row over Japan's port practices, Mr Makoto Koga, transport minister, said yesterday. The US – angry at what it claims to be costly and discriminatory Japanese waterfront practices – this week reiterated its intention to impose a surcharge of $100,000 on Japanese ships each time they enter a US port from abroad. The sanctions begin on April 14.

Talks in Washington aimed at defusing the dispute will continue today. Japan has admitted that Japanese port practices are in need of reform but is seeking to have the sanctions scrapped or at least postponed. *Reuter, Tokyo*

US trade mission heads south

Mr William Daley, US commerce secretary (*left*), is to lead his first trade mission since his appointment, to Argentina, Chile and Brazil next month. The trip will include a stop in Belo Horizonte, Brazil, where the trade ministers from the hemisphere will discuss efforts to create a Free Trade of the Americas Agreement. Interest in Chile will centre on whether Congress soon passes "fast track" legislation giving the administration authority to negotiate an expansion of the North American Free Trade Agreement to include Chile, the first big step in achieving a broader hemispheric free trade agreement by 2005. *Reuter, Washington*

EU help for Andean states

The European Union yesterday extended trade privileges granted to five Andean nations and said greater effort would be made to increase European investment in the region. In a statement following a meeting of the EU with the foreign ministers of Venezuela, Colombia, Ecuador, Peru and Bolivia, in Noordwijk, in the Netherlands, the EU said the generalised system of preferences (GSP) trade privileges on agricultural and fisheries products would remain in force indefinitely.

The GSP privileges have been granted chiefly to encourage the replacement of narcotic-drug production with food farming. The statement said there had been an increase in business opportunities for investors from both Europe and Latin America which could be directly linked to the GSP privileges. *Reuter, Noordwijk*

Shanghai finds Japanese easy to do business with

Both sides are winners as economics triumphs over politics in a city where they do talk about the war, writes **James Harding**

Accounts of the Japanese Imperial Army's occupation of Shanghai in the late summer of 1937 still live fresh in the minds of the city's old and young alike. As it does in much of the rest of Asia, the war continues to infect relations between China and Japan.

But in recent years Japan has emerged as by far the most successful foreign business power in central China, eclipsing the US and European investors in Shanghai.

Previously lukewarm to China, Japanese manufacturers have flocked to the Yangtze delta since 1994. Forced by the strong Japanese yen to look overseas for potential production sites, they have found the area a nearby, low-cost venue with a potentially vast market for their goods.

The service industries, which came in small numbers after Sino-Japanese relations were restored in 1972, have grown on the back of the manufacturing exodus.

Japan is now the pre-eminent foreign investor in the Shanghai area, committing $1.7bn last year, up from $1.3bn in 1995 and a total of $4.96bn since 1979, according to the Shanghai Foreign Investment Commission.

The US, the top foreign country investor until 1995, has recorded a cumulative $4.03bn investment, Singapore $2.86bn, UK $2.25bn and Germany $930m. (Hong Kong's $20.7bn investment includes funds from mainland Chinese and international companies channelled through Hong Kong).

Of the eight foreign banks this year awarded the first licences to conduct business in local Chinese currency, four were Japanese. The People's Bank of China earlier this month ranked the 40 foreign banks in Shanghai, showing that six of the top 10 in terms of assets in 1996 were Japanese.

Mr Terumasa Ihara, former head of Mitsubishi in central China and the likely president of a planned new trading joint venture based in Shanghai, puts it simply: "The political relationship was not so good in the past, but the economic relationship has become excellent."

Japanese officials say the success of Japan's business interests in a cool political and social climate debunks the conventional western wisdom that politics and business in China are irredeemably intertwined.

"The history of aggression has left people with a deep sub-conscious anti-Japanese feeling," concedes one Japanese official in China. "But having commercial contacts and building an economic relationship is a practical business, which has its merits for both China and Japan."

Mr Kiyoshige Akamatsu, head of the Industrial Bank of Japan's Shanghai branch, argues that the reason his bank (the others are Tokyo-Mitsubishi Bank, Sanwa Bank and Daiichi-Kangyo Bank) won a licence to work in local currency is purely practical. The scale of Japanese investments – predominantly in manufacturing – in the area gives Japanese financial institutions the largest immediate client base for Chinese yuan business.

Less charitable explanations for Japan's success are to be found among foreign rivals, who argue that China overlooks the past because the Japanese are prepared to slash prices and offer substantial financial rewards to get into the market.

When the banking licences were first issued, some western bankers were quick to point out that Japan has an impressive record of concessional lending to China for infrastructure and economic development, suggesting a quid pro quo for access to the domestic banking sector.

According to Japanese reports, about 8 per cent of China's public-works are supported by yen loans. Since 1979, yen-denominated loans have totalled Y1,680bn ($13.7bn) and the fourth tranche of lending extended over three years will make a further Y580bn available.

US bankers in Shanghai say the rapid expansion in the assets of Japanese banks reflect the dangerous lengths Japan's financial institutions are prepared to go to secure business. "They are going for market share not for profit, so they will accept very low margins," one banker says.

In joint venture agreements, US and European businessmen say the Japanese do not show the rigour when it comes to contractual arrangements – particularly over issues of liability and environmental protection – that has become standard for western companies.

As western companies have developed reputations as sticklers for contractual detail, Japanese companies are known to sign broad agreements and iron out the problems as they arise.

As a result, says Mr Brewer Stone, head of Prudential Securities in Shanghai, "even though there is little love lost with the Japanese, they (the Chinese) find them easy to deal with."

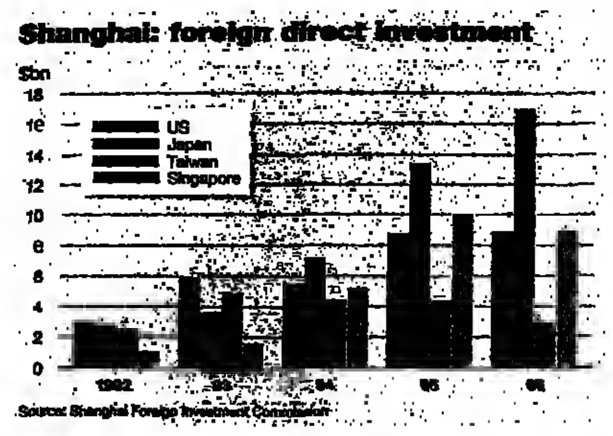
The politics and the history have not been eliminated, however, from the popular relationship.

When asked what first came to mind when Japan was mentioned, 81.3 per cent of the 15,000 people surveyed recently by the China Youth Daily said Japan's wartime atrocities. In particular, they think of the "Rape of Nanjing", the frenzy of killing and mutilation in China's pre-war capital that left as many as 250,000 dead, according to the official newspaper.

Mr Itsuo Hashimoto, Japan's consul general in Shanghai, acknowledges that passions run deep between the two countries. However, the commercial relationship is underpinned by "close geography, close cultural and ethnic ties... and good business decisions."

He hopes that the commercial relationship will go some way to restoring the reputation of the Japanese in Shanghai.

Shanghai: foreign direct investment



Source: Shanghai Foreign Investment Commission

Rolls-Royce sets up Russian gas turbine joint venture

By John Thornhill in Moscow

Rolls Royce yesterday signed an agreement for a joint venture in Russia to turn military jet engines into industrial gas turbines.

The UK aero engine maker will help the Moscow-based Lyulka-Saturn concern adapt its jet engine, which powers the Sukhoi 27 fighter, for use in power generation.

Both partners will contribute expertise and financial resources to the 50:50 joint venture although the sums involved have not been published. A joint marketing company has been established to sell the engine, initially in Russia and eventually abroad.

Mr Victor Chepkin, president of Lyulka-Saturn, said the deal, which took three years to negotiate, would lay the platform for further collaboration between the two companies. "The military technology of Lyulka-Saturn will combine with the very high experience of Rolls-Royce and Cameron Cooper [Rolls-Royce's US partner] to create a globally competitive engine," he said.

Yesterday's deal was a straight commercial transaction designed to exploit the potential of the Russian oil and gas markets. It comes at a time when western governments, most notably the US, have sponsored several large projects to help convert the former Soviet Union's once-vast military-industrial complex to peaceful ends.

Mr Bob Sunerton, managing director of Rolls-Royce industrial and marine power, said his company was attracted to Russia because of the tremendous potential in the energy field.

"Something like two-thirds of all pipeline compressors in the world are in the former Soviet Union," he said. "The opportunities are immense – as are the challenges."

Mr Sunerton said it had been a laborious process for both sides to negotiate the joint venture agreement because of Russia's changing legal and economic environment.

Gazprom, the giant Russian gas monopoly which owns one-third of the world's known gas reserves, has already begun evaluation tests on the new engine and welcomed the formation of the joint venture. The gas company urgently needs to upgrade its ageing turbine system.

Rolle-Royce has been active in the Russian market since 1978 selling 60 industrial Avon engines for use in Siberia's gas fields. It has more than 40 years' experience in the gas turbine industry.

A team of Rolls-Royce engineers has helped adapt the Lyulka-Saturn engine applying dry low-emission technology to reduce pollution levels.

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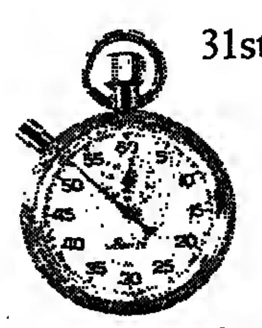
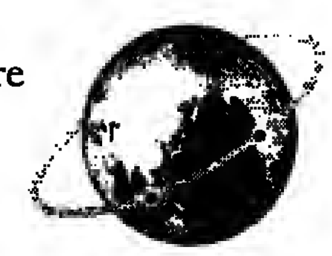
1997 COURSE DATES: 4 MAY - 24 MAY, 7 SEPTEMBER - 27 SEPTEMBER

MANCHESTER BUSINESS SCHOOL

THE BOEING 777 JUST BROKE THE WORLD RECORD FOR SPEED AND DISTANCE.



The Boeing 777 continues to change the way the world flies. On March 31st, a 777 flew from Seattle to Kuala Lumpur without stopping. No other jetliner has flown farther. The 777 then continued its flight and set a world speed record for circumnavigating the globe. Of course, speed and distance are only part of the story. The Boeing 777 has set a new standard for passenger comfort and efficient, reliable service. The record set by the 777 does two things. It demonstrates that this remarkable airplane keeps getting better and better, and explains why you can fly nonstop more places faster on a Boeing 777 than ever before.



BOEING

US clash over weapons treaty

By Bruce Clark in Washington

Three former US defence secretaries yesterday urged the Senate not to ratify the Chemical Weapons Convention, as the issue turned into a test of wills between the administration and Congress.

President Bill Clinton, meanwhile, reaffirmed his determination to secure the necessary 67 votes in the Senate, where his Republican opponents have a 55-45 majority.

Mr Clinton said he was working hard with Senator Trent Lott, the majority leader, to overcome Republican objections to a treaty whose rejection would carry a heavy price for US diplomatic and commercial interests.

"It's obvious that it's the right thing to do for the world, and critical for America's leadership that we do it," the president said. The US will be excluded from the treaty's enforcement mechanism unless it ratifies by April 29.

The three former Pentagon chiefs – Mr Caspar Weinberger, Mr James Schlesinger and Mr Donald Rumsfeld – said the US would have a freer hand in preventing the spread of poison gas if it stayed out. They said joining tha treaty, which obliges participants to trade freely in chemical technologies and ostracise non-participants, would constrain US policy in dealing with states such as Cuba and Iran, which are both signatories.

The three were encouraged to testify by Senator Jesse Helms, the chairman of the Senate foreign relations committee, who has made plain he will try to extract a heavy price for softening his objections to the accord.

Among the trade-offs demanded by Republicans are an assurance the administration will spend more on anti-chemical defences, and an assurance from US intelligence experts that violations of the treaty would be detectable.

Republicans have also linked the chemical weapons accord to their broader aims, which include the streamlining of the State Department and other foreign policy institutions, and a more ambitious anti-ballistic missile defence programme.

Senator Tom Daschle, who leads the Democratic minority, has threatened to hold up all Senate business, including bills the Republicans badly want, unless Republicans co-operate.

The Clinton administration, backed by US chemical companies, has emphasised the isolation which US government and industry would suffer if it backed out of a treaty which a Republican government negotiated.

The Chemical Manufacturers' Association, a powerful lobby whose members account for at least $60bn of US exports a year, has estimated at $600m the value of business it would lose annually if the US kept out of the treaty and was subjected to restrictions aimed at rogue states.

Brazil demands fair play on deficit

The Brazilian government believes it is the victim of discrimination. When a south-east Asian country runs a current account deficit, it is congratulated for using foreign goods to re-tool domestic industry, Brazilian officials say. Yet when a Latin American nation lets its current account go into the red, warning flags are raised.

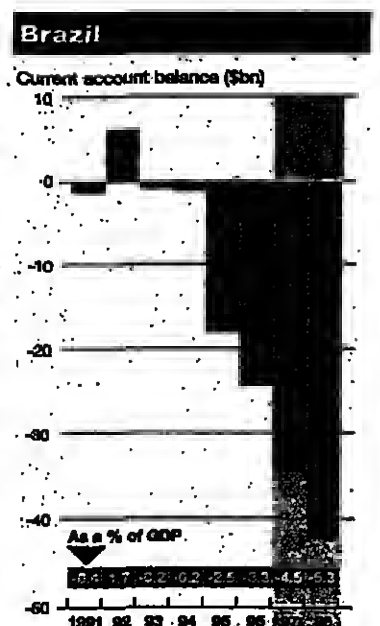
Although memories of the 1994 Mexican financial crisis remain strong, Brazil's current account deficit, forecast to be 4-4.5 per cent of gross domestic product this year, is well short of Mexico's pre-crisis 8 per cent.

However, the surge in Brazilian imports is an increasing source of concern. The government – faced with limited options and elections next year – will have to decide soon if it needs to take action to stem the import flow.

Projections for this year certainly look dramatic. After running a trade surplus for many years, the effects of trade liberalisation and a consumer boom pushed Brazil into the red in 1995. Last year it registered a $5.5bn deficit, while most estimates for this year suggest a shortfall of $8bn-$12bn, with some forecasts indicating this could be as high as $15bn.

But just how significant are these figures? For Mr Gustavo Franco, director of international affairs at the central bank, the trade deficit is a natural side-effect of Brazil's economic restructuring.

"It does not make much sense for an emerging economy to be running a current account surplus, which implies that the country is a net lender [of savings]," he says. "The level of development we are at would recommend we have a trade deficit."



Economists argue, though, that the trade deficit is not as benign as the government makes out as it is accompanied by a big budget deficit – 6 per cent in 1996. "The loose fiscal stance favours public consumption over private investment," says Mr Marcelo Carvalho, economist at J.P. Morgan in São Paulo.

Mr Franco believes it is wrong to draw broad conclusions from the headline level of the current account deficit. Economists should also look at the quality of the capital account, and in particular tha amount of direct foreign investment. "Two years ago only 10 per cent of the current account was financed by direct investment. Now that figure is 40 per cent."

However, foreign investments made now mean higher profit remittances in the future, according to Mr Carvalho, and a sharp increase in global interest rates would make investors less willing to finance Brazil's current account deficit. "Trade concerns have real substance," he says.

Political analysts say the decision two weeks ago to impose restrictions on the short-term financing of imports suggests the government is becoming worried about the trade deficit. However, its room for manoeuvre is limited.

The government has already actively promoted exports. It has reduced taxes on many exports, is planning to introduce export insurance and the National Development Bank (BNDES) has expanded the credits available to exporters.

Meanwhile, senior ministers have travelled to the US and Europe, complaining about the trade barriers Brazilian goods face. Short of more aggressive financing of exports, which the BNDES recently signalled, there is little else the government can do on this front.

Some economists fear the new regulations on import financing will herald greater government attention on import rules.

However, Brazil, which is already in hot water over its tariff policies for cars and toys, would face intense international pressure if it chose to raise tariffs further.

The government continues to rule out any change to the exchange rate policy for fear that devaluation would spur inflation and because of the enormous political defeat that this would represent.

As a result, most economists argue the government has only one policy option to damp down the demand for imports – monetary tightening.

An actual interest rate rise is thought to be unlikely, in part because of the pressure higher interest payments would put on the budget deficit. However, the government could put specific curbs on consumer financing, as it did two years ago, such as reducing instalment payments or curbing the use of credit cards.

Mr Carlos Kawall, chief economist at Citibank in São Paulo, says the evidence of domestic over-heating is not yet decisive. He adds, though: "It is clear that credit policy is the favoured instrument to cure imbalances in external accounts."

If the government decides to take such action, the move is likely to come sooner rather than later because of the long time lag involved. The government would not want consumers to feel the bite in the run-up to next year's presidential elections.

The next two months' trade figures will therefore be crucial. If the government decides the trade deficit might seriously threaten medium-term economic stability, it will be under pressure to move before the end of the second quarter.

Geoff Dyer

Wholesale figures remain buoyant

By Gerard Baker in Washington

US wholesalers reported sharply higher sales and a fall in stock levels in February, a further indication the pace of economic growth is likely to remain strong moving into the second quarter.

The Commerce Department said merchant wholesalers' sales grew 2.1 per cent in February from a month earlier, tha biggest gain since August 1994. The increase followed a solid 0.8 per cent rise in January.

The surge in sales left wholesalers' stock levels unchanged in February. As a result, the stocks-to-sales ratio fell to 1.24, its lowest level in seven years.

The ratio is significant because it indicates the extent to which wholesalers will be able to meet future demand by running down their supplies in the warehouse. With such relatively low stock levels in February, it is almost certain wholesalers will increase their demand for goods from manufacturers in the next few months, which will lead to increased production.

That suggests the current strong pace of growth in overall demand is likely to continue at least until the summer and perhaps beyond.

Wholesalers reported strong sales almost across the board. Durable goods sales rose 2.7 per cent, led by brisk growth in demand for professional equipment, machinery, metals and lumber. Non-durable goods sales rose 1.4 per cent.

Increases in sales of food, paper, clothing and drugs offset small declines in chemicals and petroleum.

The figures indicate that the US economy is growing at an annual rate of about 3.5-4 per cent, well above its long-term potential trend rate. If that continues, it will put further pressure on the Federal Reserve to raise interest rates.

AMERICAN NEWS DIGEST

Human rights row in Brazil

Brazil's human rights record came under renewed criticism yesterday after television pictures were broadcast on Monday night apparently showing military police officers beating up civilians.

The television pictures coincided with publication of a report by Human Rights Watch/Americas which claimed that summary executions, torture and extortion by police were common. It called on the government to take tougher steps to reduce police violence.

In response to the furore over the apparent beatings, the government launched a human rights commission and President Fernando Henrique Cardoso approved a bill making torture illegal. Mr José Gregori, head of the new commission, said its first task would be to examine the structure of the military police.

The new outrage was prompted by an amateur video broadcast on the Globo television channel which appeared to show police officers in Rio de Janeiro hitting civilians lined up against a wall with pieces of wood and belts. The pictures follow a similar video broadcast by Globo last week showing São Paulo police apparently beating the drivers of several cars stopped at a roadblock and allegedly murdering a passenger. *Geoff Dyer, São Paulo*

Chrétien call on free trade

Canadian Prime Minister Jean Chrétien yesterday urged US President Bill Clinton to move swiftly on trade liberalisation. Mr Chrétien said he hoped Congress would act soon to give the president authority to negotiate free trade in the Americas. Two-way trade had soared and trada friction had been considerably reduced by the US-Canada and North America free trade pacts, he said.

The usual bickering over lumber, wheat, fish and other commodities was missing from the agenda, and the dispute over US sanctions on Cuba – which has led to a ban on US travel for several Cuban businessmen – was kept low-key. Mr Clinton praised Canada's "solid approach on human rights" and said differences between the two would be "managed".

On Monday night the US and Canada signed an agreement for "the virtual elimination of persistent toxic substances" in the Great Lakes. Environmentalists cautiously praised the deal, noting that the plan was voluntary and there were no guarantees the reductions pledged would be achieved. *Nancy Dunne, Washington*

■ About 80 per cent of Canadians and almost 50 per cent of Americans oppose the US's Helms-Burton law, which punishes companies doing business with Cuba, according to a poll released yesterday. *Reuter, Ottawa*

Investigation into Nazi gold

Brazil has set up a commission to investigate whether gold stolen from victims of the Holocaust was brought into the country by escaping Nazis after the second world war.

The commission will examine the records of Banco do Brasil, which after the war performed the role of a central bank, to see if it can trace stolen gold or cash. It will also investigate whether Brazilian officials received payments to let Nazis into the country.

Up to 1,500 Nazis are believed to have escaped to Brazil after the war, including Josef Mengele, the doctor notorious for genetic experiments on children. *Geoff Dyer*

More US law firms rent space in City

By Robert Rice, Legal Correspondent

The extent of the US law firm invasion of the London market was underlined yesterday by a survey from Chesterton, the international property consultants.

Chesterton found that US law firms have taken, or are looking for, a net additional 137,000 sq ft (12,700 sq m) of new office space in the City.

The consultants say this is the equivalent of more than one hectare of floor space.

US law firms occupied just 180,000 square feet (16,725 sq m) at the start of the year, so the new figure represents a surge in demand of more than 76 per cent in the first quarter of the year.

US law firms which have taken space in the City recently include: Jones Day Reavis and Pogue, which has moved out of West End offices and acquired 15,000 sq ft; Brobeck Hale & Door, 8,000 sq ft; Dewey Ballantine, 11,000 sq ft; and Brown & Wood, 12,500 sq ft. The Chesterton survey also reveals that seven firms are looking for substantial amounts of space totalling 101,000 sq ft.

These include Dehevoise & Plimpton, Weil Gotshal & Manges, Arnold & Porter and Maples & Calder.

Skadden Arps Slate Meagher & Flom, which has recently moved out of 15,000 sq ft in the City, taking 25,000 sq ft at the Canary Wharf office development in London's Docklands, is not included in these figures.

The average size of US law firm offices also seems to be increasing dramatically.

At the start of the year there were 30 US law firms with offices in the City, each occupying an average of slightly more than 6,000 sq ft.

The seven firms currently seeking space are looking for an average of 14,500 sq ft, a rise of 141 per cent. Chesterton's Mr Mark Bourne said the rule of thumb was that US law required 300-400 sq ft per lawyer.

That implied that the US law firms would be taking on another 370 lawyers to fill the 130,000 sq ft they have taken or are looking for.

He said that UK lawyers could not rest on their leurels and added: "Chesterton's research proves that the threat to their business from across the Atlantic is both real and growing."

Government awards Atlantic oil and gas rights

By Stefan Wagstyl, Industrial Editor

Three-company consortium wins eight tranches

The government bas awarded oil and gas exploration licences for 114 offshore blocks, mostly in the undeveloped frontier zones of the Atlantic.

The biggest number went to a consortium of Statoil of Norway, the UK's Enterprise Oil and Mobil of the US, which secured eight of the 11 tranches for which it applied.

The awards are aimed at encouraging oil companies to explore the sea to the west of the Shetland Islands – off the north-east coast of Scotland – as the established North Sea fields decline. Mr Richard Page, the junior energy minister, said it was "in the national interest that our natural resources should be developed".

The awards heve been made in time for the successful bidders to start seismic surveys during the summer.

The ewards, the 17th round of licensing for UK offshore exploration rights, were given in 25 tranches to 14 companies.

Fourteen of the tranches awarded, covering 76 blocks, are for an area off the Hebrides – on Scotland's west coast – called the Rockall Trough. A further seven tranches, covering 28 blocks, lie north of Shetland. Just four tranches, covering 10 blocks, are in the North Sea.

Of the 127 blocks on offer, 13 were left in the government's hands.

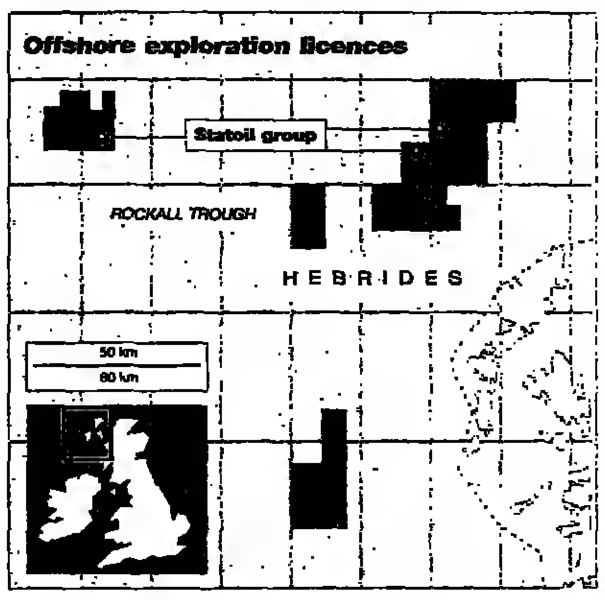
Enterprise Oil said the bidding reflected the importance of the Atlantic areas to oil companies. Another successful bidder said: "These are huge areas attracting e lot of interest."

The government rejected an application from Greenpeace, the environmental lobby group, which epplied for rights to manage all the blocks included in the 17th round as e way of blocking further exploration. Greenpeace intended to use its licences to carry out wildlife surveys.

Mr Page said its epplication had been rejected on the grounds that licences awarded under the Petroleum Production Act (1934) required applicants to intend to carry out oil and gas exploration.

Greenpeace said: "Developing more oil is not in the national or the global interest. It is appalling that the minister has sneaked this through while parliament isn't sitting."

The lobby group pledged to continue with e campaign to persuade the European Commission to act over the government's failure to implement e directive requiring oil companies to carry out environmental impact assessments before exploring for oil. The government has said that it ran out of parliamentary time to pass the necessary legislation.



Price Waterhouse prepares strategy to allay fears of firms facing difficulties

Insurer aims to ease impact of 'run-off' pressures

By Christopher Adams, Insurance Correspondent

Proposals which would allow insurance companies threetened with future financial difficulties to make early settlement of claims are being prepared by Price Waterhouse, the accountancy firm.

The plan was commissioned by an insurance company concerned that it might have problems meeting future claims, and is designed to ease financial pressures on the company and protect policyholders who otherwise might have to wait years for payments if it failed. The company declined to be identified.

The plan builds on approaches already adopted for returning cash to creditors of insolvent insurers and, if sncceesful, could heve repercussions across the insurance industry, affecting the management of companies in "run-off" – where they pay claims but do not take on new business.

Since 1989, about 100 insurers in London's commercial insurance market have gone into run-off because they felt they might fail to meet claims years from now, eccording to the government's Department of Trade and Industry.

Like Lloyd's of London, some feced large and unquantifiable liabilities from pollution and asbestos risks in the US.

Insolvency professionals charged with liquidating those that could not meet claims have been learning the lessons of a costly and cumbersome process. Several have introduced schemes for insolvent insurers which pay a percentage of all the claims earlier than might normally be expected and at less expense.

Price Waterhouse mey shortly set a precedent which could change the approech to run-off manegement. It is preparing e plan which will require the policyholders of a still solvent insurance company, assuming they agree, to provide estimates for present and future claims against it.

The scheme devised by Price Waterhouse would use the existing assets of the insurer to make e single, final payment, called a commntation, to policyholders and bead off the difficulties whicb could result in insolvency. Tbe pressures which have forced insurers from run-off into liquidation are intense. All of them are vulnerable to claims getting worse, reinsurers failing, and the costs of managing a 10-to-15-year process. The government wants to see fewer insolvencies and is encouraging preventative cures.

"Whet yon provide is an exit ronte for the company involved from the market. You can also protect any equity value there may be or at least prevent it from eroding," said Mr Paul Evans, a Price Weterhouse corporate recovery partner and insurance specialist.

"By and large insurance companies have lots of money. The problem is estimating what they will have to pay years in the future," he said. "We're trying to change people's feelings about insurers in run-off. It's early days yet, hnt we're looking to prepare a draft document hy the end of this year."

Food safety regime criticised

Financial Times Reporters in Edinburgh and London

The government was told yesterday that it must use a less "light touch" in enforcing food safety rules after last winter's outbreak of the E.coli infection which killed 20 people in Scotland.

The criticism was made in a report by Professor Hugh Pennington. It calls for a tightening of food safety and bygiene regulations from the farm to the butcher's shop to the eating. The government said it accepted all the 32 recommendations and would implement aome of them soon. It accepted that raw meat and cooked meat products should be kept separate at all stages of production and storage, with the two types of food handled if possible by different staff.

The report said that regulations bsd been enforced with a "light touch" partly because they were new and were often confusing. It noted that the government had a preference for deregulation and a presumption against prescription. But it said the need to promote safety in food production "bas to be accepted as e special case where the balance requires a greater degree of prescription".

Mr Michael Forsyth, chief minister for Scotland, who commissioned the report, said there was too much regulation, and confusion ebout how regulations were to be applied.

Labour said the report vindicated its charge that the government had focused too heavily on the interests of the industry to the detriment of consumers. "The government have put the dogma of deregulation before the safety of consumers," said Mr Gavin Strang, shadow agriculture minister. "The report makes it clear that those enforcing food safety rules in our slaughterhouses, food processing plants and shops are not getting the support that they need from government".

'Neglect' of rail freight deplored

By George Parker, Political Correspondent

The government was yesterday criticised by a Honse of Commons committee for its apparently half-hearted approach to shifting freight from roads to railways.

The public accounts committee said it was concerned that e government grant scheme to encourage new rail freight facilities bad failed to make mucb impact over the past 10 years.

Tbe committee accnsed the Department of Transport of failing to promote the scheme, and of using ontdated environmental criteria to assess rail projects. The report says only £32m in grants was paid between 1986-96, ont of £70m approved by parliament.

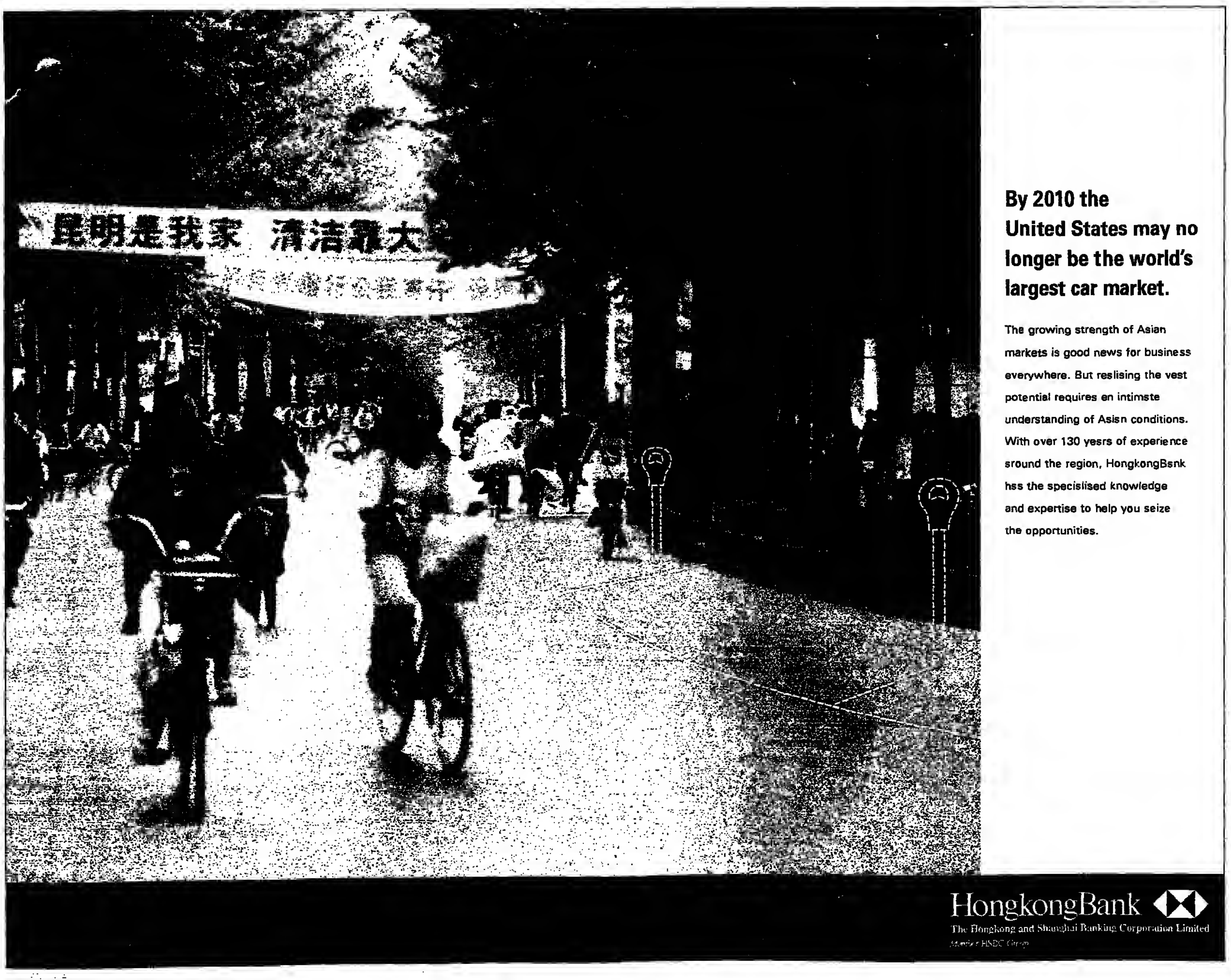
The report will dent the government's "green" credentials, and fuel the belief of environmental pressure groups that the department is still "pro-road".

The MPs said they were "concerned that freigbt facility grants may be having less impect tben the government and parliament intended". "The department could heve done more to promote the scbeme to prospective applicants," the report adds. MPs looked to the government to "increase ewareness of the grant, particnlarly among companies which have traditionally not used rail freight".

The transport department pays grants for new rail freight terminals according to the environmental benefits, calculeted by setting rates for trnck miles removed from roads.

But the committee said the department had failed to revalue truck mile rates "for many years", and had not revalued them to take account of infletion, as ministers promised in 1991.

Freight transferred to rail as the result of grants has fallen from 16m tonnes a year in 1985 to abont 10m tonnes a year in 1996.



Financial advisers' group backs proposals for single retail body to replace two-tier system

Labour stance on regulation wins support

By Jean Eaglesham in London

The leading trade body for independent financial advisers yesterday backed many of the Labour's party's proposals for reforming the regulation of retail financial services.

The IFA Association, which represents more than 2,300 firms, said the current regulatory system was "ill defined, poorly targeted and misunderstood hy the public". Mr Garry Heath, association chief executive, stressed that the intention was "to suggest a solution rather than back a political party". But many of the proposals echo Labour's manifesto commitments.

In particular, the association is calling for a single retail regulator to replace the current two-level system, in which a lead regulator, the Securities and Investments Board, oversees a handful of self-regulating bodies. This ties in with Labour'e commitment to combine institutional and retail financial regulators into a "super-SIB".

The association also proposes a switcb in regulatory emphasis from detailed rules to broad principles supported by detailed guidance. This is broadly in line with the proposals of both Labour and consumer groups. "We want to simplify the nature of the regulatory system, as well as its structure," said Mr Alistair Darling, shadow chief Treasury secretary.

The general election campaign

But there are still differences between what the industry and the Labour party wants. While Labour has stressed it intends the new single regulator to have much tougher powers, the association paper bemoans the "increasing [legal] burden on advisers and salesmen".

● The Labour party's pension plans were ettacked yesterday by the head of the trade union bank Unity Trust, Robert Taylor writes. Sir Dennis Landau, chairman, described them as "completely inadequate" and "not going far enough to address the problems of an ageing population".

He said the elderly would be living in acute poverty into the next century in a pensions crisis that will peak in 2030.

The bank, which reported a record 1996 pre-tax profit of £1.28m ($2.03m) yesterday, provides a wide range of services to most trade unions, its main institutional shareholders. Although the criticisms were not formally agreed by the bank's board of directors, many were aware of the comments and did not express their disapproval. Most senior trade union leaders are on the board.

Under Labour's current proposals the existing basic state pension entitlement would remain unchanged, linked to rises in the retail price index, although the party would raise the level above the inflation rate "when resources allow". The party is also committed to retaining the state earnings-related pensions scbeme as an option.

Labour has also proposed the creation of e second-tier "stakeholder" pension plan specifically aimed at the "many people who do not have access to an employer's occupational scheme".

'Socialist' platform for Wales

By Roland Adburgham in Cardiff

Plaid Cymru, tbe Welsh nationalist party, launched its election manifesto yesterday with an agenda which it described as "socialist".

The manifesto proposes bigber taxes to pay for improved public services, a scbeme to create up to 100,000 jobs, and calls for Wales to have its own "powerhouse parliament." Plaid Cymru means "Wales party."

Mr Daffyd Wigley, party president, said tbe manifesto set ont "a radical agenda for Wales, and a democratic parliament to ensure its delivery." The party boped that, after a five-year transitional period and a referendum, the country wonld move to full self-government within the European Union.

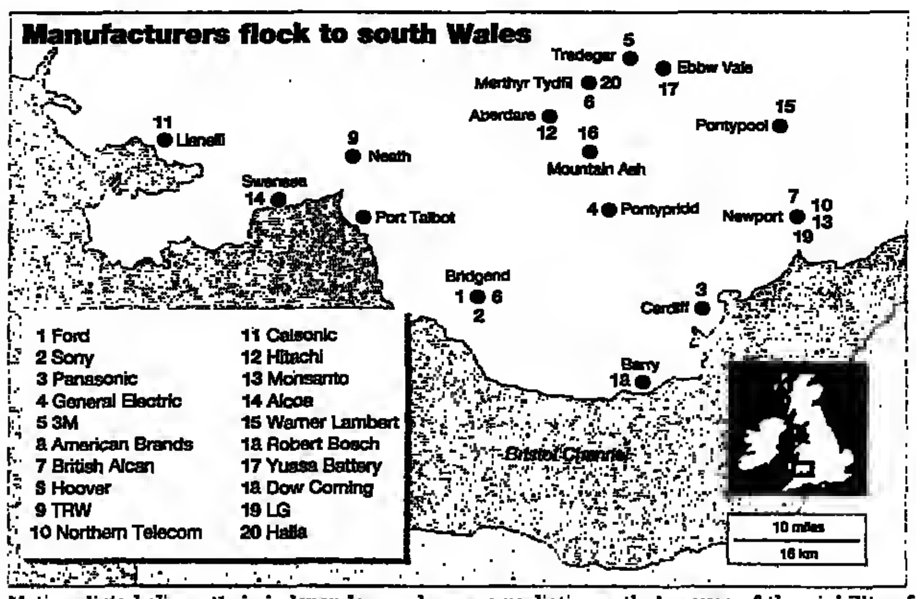
"These policies reflect the mainstream of Welsb political values," be said. "They are socially progressive and egalitarian."

The manifesto launch took place in tha ornate city hall in Cardiff, the Welsh capital, and tbe most likely home of the Labour party's proposed Welsh assembly.

Under Labour's plans that body would lack the powers of a Scottish parliament. Mr Wigley called for a law-making and tax-raising parliament with "real power", and demanded that Labour's planned referendum on devolntion sbould include multi-optional choices.

"The Tories still treat Wales as a colonial territory and govern Wales by dictat from London," he said. "But neither are we prepared to see Wales treated as a second-class nation by the Labour party."

Manufacturers flock to south Wales



Nationalists believe their independence plans are realistic partly because of the viability of south Wales, one of the most successful regions in the UK at attracting inward investment

Nationalists propose higher taxes and demand a local parliament

Plaid Cymru is contesting all 40 seats in Wales. The party won four seats in the last general election, held in 1992, with 9 per cent of the vote. It gained 17 per cent – more than the Conservatives – in tha European elections three years' ago.

Its manifesto proposes higher spending on health and edncation and a scheme to pay unemployed people a weekly wage of £160 to undertake "mnch needed" community work. To fund its £340m ($540m) programme, Plaid Cymru advocates a 25 pence standard rate of income tax, a 50 per cent top-rate tax, and "polluter pays" environmental taxes.

Mr Wigley said yesterday: "We want to be rid of this Tory government as soon as possible. It has been an appalling government, and their attitude and performance in Wales has been totally unacceptable.

"But, increasingly, we see New Labour as a party that has betrayed the pensioner, the young job seeker, sick and disabled people, and has betrayed Wales. It has ditched all the principles it stood for and cannot, or will not, deliver the policies that Wales needs."

Political opponents were quick to condemn the manifesto. The Conservatives described Plaid Cymru as living in a fantasy world and Labour protested that the last thing Wales needed was more taxes.

The government says a Welsh parliament would jeopardise the continuing revival of the economy by raising costs and deterring investment.

Inward investment has given Wales a modern industrial base, with a a bigger manufacturing sector proportionately than the UK as a whole. Welsh industries include in consumer electronics, automotive components, aerospace engineering and healthcare products. Despite big job losses in coal mining and steel, overall unemployment has fallen to about the national average.

Conservatives plan business levy reform

By James Blitz, Political Correspondent

The Conservatives yesterday opened a new front in their long-running battle with Lahour, the largest opposition party, over policy towards small businesses, unveiling plans to reduce the Uniform Business Rate for 770,000 companies.

After attempts by Labour to rob the Conservatives of their mantle as "the party of business," Mr John Major, the prime minister, said a re-elected Conservative government would cut the business rates of small bnsinesses by £800m ($1.27bn) a year.

Mr Major told a press conference in Birmingham that the reforms, which would be introduced in the first year of a new Conservative government, would transfer some of the burden on small companies to larger ones.

Businesses would pay nothing on the first £1,000 of the rateable value of their premises. Some 140,000 businesses with rateable values below £1,000 could save £460 per year.

A further 260,000 companies with rateable values below £5,000 could expect reductions in bills of about 20 per cent. A total of 770,000 companies could expect to make savings.

To make the scheme self-financing, business rates for companies with a rateable value of more than £18,000 would rise from 45.8 pence in the pound to 48.3 pence.

Mr Ian Lang, chief industry minister, said the impact of the change on large companies would be "negligible". He said large companies were in a better position to pay UBR than smaller ones.

Mr Lang said business rate payments for companies with turnover of £50,000 would be equivalent to about 8 per cent of revenue. Payments could be as low as 1.5 per cent for larger companies.

Mr Lang contrasted the government's policy with Labour's plan to consult British companies have a worse payment record than many European counterparts, with over half of all payments delayed on purpose, an NOP study commissioned by the UK arm of Intrum Justitia, Europe's largest debt collector, said yesterday. It said many UK companies wanted the introduction of a statutory right to interest on overdue bills, Katharine Campbell writes.

Mr John Langhorn, Intrum Justitia's UK managing director, identified "a clear correlation between the quality of legislation on collecting debts and the level of late payment". He said it was "very disturbing" that 53 per cent of payments were intentionally late in the UK against 35 per cent in the rest of Europe.

The survey said UK companies pay on average 18 days late. Over half of all invoices were paid after they were due; only Portuguese and Irish companies showed a worse record.

business after the election on whether the uniform business rate should be replaced by a local system.

"After years of restraint under the Conservatives, Labour would let councils go on e spending spree et the expense of local business" he said.

Mr Ian McCartney, Labour's employment spokesman, branded the Conservative initiative "the most desperate performance yet from e Government that is out of ideas and is now running out of time".

Mr McCartney accused the Conservatives of "covering up their betrayal of Britain's businesses by telling lies about Labour".

"We have made it clear that reserve capping powers will stay and that no council will be able to impose disproportionate rate bills on businesses," he added.

Editorial comment, Page 15

More news of the election campaign can be found at the Financial Times website: http://www.FT.com

FT ELECTION SHARE INDEX

Widening the party gap

The stock market gap between the two biggest parties widened yesterday, according to the FT election share price index, Richard Lapper writes.

Shares that might benefit from a Labour win in the May 1 general election rose by 0.54 per cent on the day, compared with a 0.65 per cent fall in shares which might gain from a Conservative government.

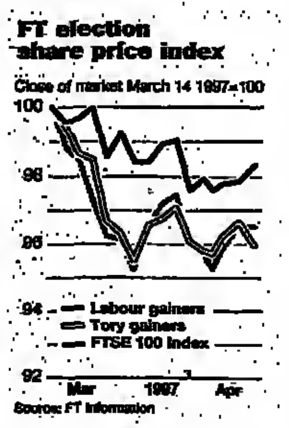
The market as a whole, represented by the FTSE 100 index of big company shares, fell by 0.06 per cent.

The best performing share in either index was Tarmac which rose 10.58 per cent. This company is seen as a potential gainer from a Labour win. The worst performer was British Steel, down 4.39 per cent. This is also seen as a potential gainer from a Labour win. Since the beginning of the campaign, "Labour gainers" have fallen 1.6 per cent and "Tory gainers" have fallen 4.01 per cent. The market has fallen 3.5 per cent.

The index is calculated daily by the FT Information portfolio analytics team in Edinburgh. Details of the index's composition can be found on the FT website, http://www.FT.com.

FT election share price index

Close of market March 14 1997=100



Source: FT Information

EU rejects cartel claim against weather service

By Hugh Burnaby-Atkins in London

The European Commission has rejected a complaint by the Association of Independent Weather Services that Britain's Meteorological Office is operating as part of a price fixing cartel.

The AIWS represents 24 commercial weather service providers and claims that the Met Office's membership of Ecomet, an EU-approved hody promoting co-operation between EU government weather services, is anti-competitive.

Oceanroutes, a Scotland-based weather consultancy which heads the AIWS, said the Met Office was free to set prices in the absence of an independent regulator.

The European Commission said it could not pursue the complaint because there was no evidence of price fixing and no legal ground on whicb it could proceed.

The weather data gathered by the Met Office, which is funded by the UK Ministry of Defence, was freely available before the Ecomet agreement. It is now charged to independent organisations, including its own commercial section, at 15 per cent of turnover.

A Commission official said private companies such as Oceanroutes would like to receive the information collated by the Met Office free, as happens in the US.

"But if European governments say they want to relieve the burden on taxpayers by allowing their meteorological offices to carry out commercial activities, then the Commission cannot say 'No' to that," said the official.

Mr John Thompson, managing director of Oceanrontes, said: "There is evidence to suggest the Met Office may have been cross-subsidising its commercial activities." In 1994-95 the Met Office's commercial sector fell £2.1m short of covering its costs but projected figures for 1996-97 show e surplus.

The Commission said thet ideally the Met Office should set up a subsidiary company to perform its commercial activities. Tha Commission added that it lacked the legal tools to require such a change.

It stressed that the Met Office was required to present accounts so that they could be checked for evidence of cross-subsidies. A Met Office statement said: "Many of our processes have been automated to improve quality. Wa do not believe our charges are excessive."

UK NEWS DIGEST

IRA admits bomb threats

The Irish Republican Army yesterday admitted responsibility for the weekend bomb alerts which forced postponement of the 150th Grand National steeplechase at Aintree race course in north-west England. The IRA said in a call to a Dublin broadcasting station that if Mr John Major, the British prime minister, had devoted "as much importance to the negotiating of an end to the conflict in Ireland over the past few years as he attaches to the disruption of a single sporting event, a lasting peace settlement would have been closer."

Sir Patrick Mayhew, chief minister for Northern Ireland in the British government, retorted that bomb threats on the British mainland "must affect the timescale of the process by which people will need to consider any declared ceasefire" by the IRA. "We can't expect people to sit down when across the table there are people who are threatening to supplement their democratic vote with Semtex and bullets and mortars," he said.

Sir Patrick also said he had been moved by the reaction of Irish jockeys, who had "spoken of the shame on all who come from this island [of Ireland]". Sir Patrick yesterday joined church leaders and politicians in condemning the recent spate of arson attacks on Roman Catholic churches. The acts were "obscene", he said.

● A 26-year-old man was in hospital yesterday with multiple fractures after a paramilitary gang attacked him with sledgehammers. Five masked men forced their way into a house in the Northern Ireland town of Downpatrick and dragged him outside. The gang carried out a so-called "punishment beating". *John Murray Brown, Dublin*

■ FISHING DISPUTE

French trawlermen 'invade' island

French fishermen carried out a "friendly" invasion of Guernsey yesterday, marching through the streets of the island's capital to present a petition over disputed fishing rights. Guernsey is the second largest of the Channel Islands between England and France.

The Norman and Breton fishermen moored their 13 boats and went to the Royal Court, pausing for an aperitif along the way. They met Mr Anthony Richings, secretary to the bailiff, Sir Graham Dorey. "I had to tell them that I couldn't enter into discussions, which have to be done through the UK and French governments," said Mr Richings. *Philip Jeune, Jersey*

■ ARRESTS IN LONDON

Detectives swoop on burglars

Detectives found £500,000 ($795,000) in cash hidden under a bed during a London-wide swoop against burglars yesterday. The money was found in a house near Heathrow airport and a man was arrested in connection with the illegal import of alcohol. The raid was part of "Operation Bumblebee", the 10th one-day crackdown on suspected burglars. More than 2,000 officers of the Metropolitan police targeted hundreds of addresses in the capital. Property recovered included three handguns, forged currency, stolen credit cards, jewellery and drugs including cocaine, Ecstasy and cannabis. More than 300 people were arrested.

■ CAR MARKET

Ford, GM and Rover slide

UK new car registrations: March 1997

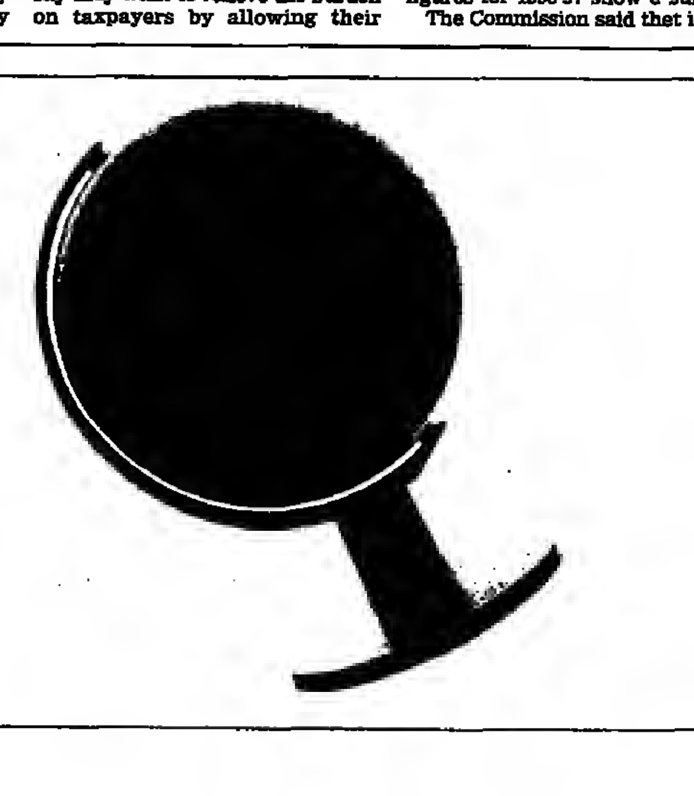
	Volume	Change	Share
UK Produced	82,434	-11.1	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
General Motors	25,826	[illegible]	[illegible]
Vauxhall	24,201	-13.6	[illegible]
Saab	1,625	[illegible]	[illegible]
Peugeot group	22,849	[illegible]	[illegible]
Peugeot	13,081	[illegible]	[illegible]
Citroen	[illegible]	[illegible]	[illegible]
Renault	[illegible]	[illegible]	[illegible]
Toyota	[illegible]	[illegible]	[illegible]
Volvo	[illegible]	[illegible]	[illegible]
Honda	[illegible]	[illegible]	[illegible]

Source: Society of Motor Manufacturers

Traditional leaders lose ground

Figures released by the Society of Motor Manufacturers and Traders, the car industry body, show the traditional leaders – Ford, Vauxhall and Rover group – under pressure from rivals as the car market fragments. Ford saw its share of the March market drop again to 16.9 per cent from 19.7 per cent in the previous March; Vauxhall's dipped to 13.5 per cent from 15.5 per cent; and Rover's fell to 10.9 per cent from 11.9 per cent. *John Griffiths, London*

It's pure Scandinavian.



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Television in Moscow/**Chrystia Freeland**

Domestic soap doesn't wash

After a few shots of vodka, Russians will invariably begin to regale their fellow revellers with "anekdoty". A ritualised, long-winded joke, usually with a dark twist at the end, the anekdot reached its apex to the Soviet era, when the cruel incompetence of the politburo provided rich material for black humour.

Even in this new era of raw capitalism, the deeply cynical anakdot remains a favoured genre – although it has shifted its sights to Russia's brash nouveaux riches. But this season the lords of the airwaves have decided that nowadays, when they turn on their television sets, Russians are searching for lighter fare.

That, at least, seems to be the rationale behind a new crop of sitcoms, the first comic serials ever to be made in Russia. The most ubiquitous, with twice daily broadcasts on one of the main national channels, is *Strawberry Café (Klubnichka)*.

Strawberry Café's producers have clearly done their time to the video library watching old American sitcoms and they seem to have paid particular attention to dusty copies of *Cheers*: the principle set to the Russian show is a cosy neighbourhood bar-cum-coffee shop and most of the action is created through interplay between the café's owners and its regular patrons.

Cheers' Russian cousin is resolutely light-hearted. It is set in an unnamed, sun-lit locale, complete with a cobble-stoned plaza and a tinkling cherub fountain. Customers are more likely to order elegant cups of coffee than vodka and the paterfamilias, who works as the chef, is slender, long-haired and perpetually bopping to the rhythm of his Walkman. Taken together, it is a sufficiently alien environment to prompt one reviewer to wonder whether it was set in some imagined utopia, in which Russia had conquered Italy, or maybe Spain.

This week, sunny *Strawberry Café* set out to tackle one of the gritty realities of post-communist Russia: violent crime. The story began with a practical joke when Stasik, the pimply adolescent son of Strawberry's proprietors, dons a black mask and pretends to hold-up his mother and her regulars. With the iron predictability that rules the world of sitcoms, his hoax is followed by the real thing: as soon as Stasik leaves, an armed robber in an identical mask storms in.

In a sugared version of the boy-who-cried-wolf, Strawberry's customers assume the masked highwayman is Stasik and shower him with affection. The robber is petted, hugged, kissed, drenched with maternal tears and offered money and gifts. Of course, Stasik eventually reappears and the mistaken identity is revealed, but the outpouring of hot Russian emotion has forged a bond between the thief and his would-be victims and they all part as friends.

Canned laughter and predictably amiable endings are, to be sure, the province of the sitcom, a genre which has never claimed to present an unflinching portrait of the human condition. Yet even by the relaxed standards of the idiom, *Strawberry Café* is strikingly out of synch with the society which has produced it. The tear-soaked sentimentality of the café has no place on the mean streets of post-Soviet Russia, where policemen are as likely to rob as to protect and head-kerchiefed babushkas fight their way to the front of queues with all the delicacy of Arnold Schwarzenegger.

It is thus immensely satisfying that *Strawberry Café*, billed by its creators as one of the most sophisticated, western-style new offerings, has been roundly panned by Russian critics. Russians, who avidly consume re-runs of *Santa Barbara*, a US soap, and steamy Latin American serials, appear to be unconvinced by the effort to transplant the glitz and banality of western television life to a domestic setting. Indeed, innocuous *Strawberry Café* is so offensive to the Russian psyche that it prompted one reviewer to write in apocalyptic tones of the decline of a nation which once spent its evenings with Chekhov, Tolstoy and Lermontov but had now descended to weakly aping American mass culture.

Surprisingly the nostalgic chorus was joined this week by Igor Ugolnikov, one of the rising young stars of the Russian airwaves. Ugolnikov hosts *Good Evening (Dobryi Vecher)*, a talk show nakedly modelled on *Late Night with David Letterman*, down to using a gleaming city-scape as a backdrop and a daily top ten list. Ignoring his own conversion to the American way, on Monday Ugolnikov devoted the monologues with which he opens his programme to the virtues of the vanished "old" Russia, when the theatre lorded it over television and "we discussed plays late into the night in smoke-filled kitchens."

A former theatrical actor, singer and dancer himself, Ugolnikov wondered aloud where the "good viewer" of those bygone days had gone: "Good viewer, where are you? Are you disgusted by the gum-chewing, mobile-telephone-talking new Russians in the seats next to you?" These are the sorts of questions that Ugolnikov could profitably ask of himself. Like *Strawberry Café*, *Good Evening* has been trashed by Russian reviewers and their complaints are almost equally justified. His guests are boring, the music is out-dated by at least two decades, the jokes are limp and the visual gags predictable.

On Monday Ugolnikov played host to two ageing divas and a mathematics professor who is a fireworks aficionado. He had the sort of polite, routine chat with each of them that you might strike up on the train. The songbirds' brief performances were a flash-back to the Soviet-era: syrupy love lyrics, a strobe-lit disco ball and elevator music melodies. The only moment of relief came during the letters section, when the voices of real Russians cut through the programme's belaboured attempt at urban panache.

Marina, a "chief accountant" at a small company in Siberia, appeared to be offering her services as concubine to Levon, the leader of Ugolnikov's band, but first she needed to know his height, weight, apartment size and whether he had a Moscow living permit. Another correspondent, Liudmila Alexandrovna, a pensioner from St Petersburg, proved to be one of *Good Evening's* rare fans. She expressed her approval in an old-fashioned rhyming poem which called the show "balsam for my soul". The letters were genuine, sad and funny – all of the qualities the rest of the programme lacked.

Good Evening is produced by the video wizards who performed magic last year by conjuring up the intelligent, heartfelt campaign clips which convinced Russians to re-elect the sick and unpopular Boris Yeltsin as president. But when it comes to televised entertainment, the makers of *Good Evening* and of Russia's pioneering sitcoms just don't get it.

Russian artists are masters at confronting the epic issues of life and love and at casting a darkly amused gaze on the world's foibles. What they have not yet grasped is the more trivial art of popular television entertainment, which needs a dash of irony and a stylish setting in tune with the zeitgeist to save it from utter insignificance. For that failure the good viewers of Russia – who prefer Chekhov and Tolstoy anyway – should perhaps be grateful.

Salzburg Easter Festival/**Andrew Clark**

A 'Wozzeck' the world can envy

It is not often that a critic is confronted by a near-perfect production of a masterpiece. When it does happen, words seem inadequate to describe it. The performance of *Wozzeck* which dominated this year's Salzburg Easter festival was such an occasion. With the involvement of Peter Stein and Claudio Abbado, a certain standard was guaranteed, but the result surpassed all expectation.

Stein's staging was incredibly precise. Played in a single 90-minute sweep, it was simple, powerfully concentrated and, above all, realistic. The characters were subtly drawn. The early-19th century period atmosphere was respected. There was no point-making, no Expressionist baggage, no gratuitous show of decadence. This is what distinguishes a great man of the theatre: Stein's approach was truly radical. He trusted every bar of the score, and in doing so, he not only made startlingly clear the modernity of Büchner's proletarian tragedy; he also demonstrated how Berg's music completely and economically absorbs the taxt, enhancing every nuance of dramatic emotion.

And there could be no more persuasive interpreter of that music than Abbado, whose instinctive command of rhythm and structure was the ideal foil to the Berlin Philharmonic's tonal sumptuousness. There was nothing cerebral about this performance – rightly so, because there is nothing cerebral about the music. Sensuality, colour, luminosity were in abundant supply – no more so than in Marie's Act 1 lullaby, where the musicians seized on Berg's Debussyan textures to create an atmosphere of wondrous suspense.

The instrumental solos – the tender viola in the opening scene, the eerie horns during Marie's Act 3 *fairy-tale* – recalled Berg's description of *Wozzeck* as a "*piano* opera" that erupts from time to time in wild emotion. And at long last, the Berliners sounded like a real pit orchestra, attuned not just to the music's heart-rending beauty but to its explosive power: I've never heard the scherzo-like Mahlerian interlude after the tavern scene despatched to such whiplash effect.

Abbado's decision to bring *Wozzeck* to the festival was laden with irony, because the opera views the world through the eyes of poor, oppressed people, and Salzburg at Easter has the wealthiest of audiences. Large numbers of subscribers boycotted *Wozzeck* (but not the festival concerts) because of its reputation as a "modern" opera – and more fool they, for this production signals the festival's coming-of-age in the post-Karajan era. Whether the Easter festival, with prices even higher than its summer counterpart, is socially exclusive is no longer the point. What matters is that it is *artistically* exclusive: it has finally set a standard which the world (including Gerard Mortier) can envy.

Stefan Mayer's decor was a brilliant response to the vast expanse of the Grosses Festspielhaus stage. His screen-like visions, cut into a dark, impenetrable wall, had cinematic focus, sucking the eye in to a black-and-white cube of light for one scene, startling it with a wide-angle horizon of softened colour for the next. The contrasts were fabulous, all achieved with meticulous clarity and technical sleight-of-hand. Even the outsize moon in the penultimate scene, as crimson as Marie's blood, was convincing as a symbol of Wozzeck's loss of reason.

Bryn Terfel's late withdrawal, apparently because he had not set aside enough time to learn the title role, put the festival in a tight spot – but it would be hard to imagine a better replacement than Albert Dohmen. This previously unknown 40-year-old German has the looks of a Brando, the voice of a Barak and the dramatic intelligence of Walter Berry, an outstanding Wozzeck of a previous generation. With his trundling gait, Dohmen cut a properly dazed figure, simultaneously pathetic and tragic.

Deborah Polaski has never done anything better than Marie: *simply coiffed*, in a low-cut red dress, she looked feminine, seductive and vulnerable – not words that usually come to mind when Polaski is on stage. Equally unexpected was the rich and steady allure of her singing, achieved without loss of intensity or volume. Her Drum-Major was Jon Villars, a young American tenor with the physique and voice of a Wagner hero. Hubert Delamboye was the reptilian Captain, Aage Haugland a Doctor of gigantic size and cynicism. The supporting roles were etched in similar detail, and the chorus excelled itself.

In short, the performance showed Stein and Abbado, separately and together, at the height of their remarkable powers, and it inevitably raises the question of when they might be persuaded to collaborate again – perhaps on *Fidelio* or *Così*? *Wozzeck* will be restaged at the summer festival, with the Vienna Philharmonic and a different Marie. It should not ba missed, because the production is a landmark in the performance history of this century's most influential opera.

A landmark production of this century's most influential opera: Albert Dohmen superb in the title role with Hubert Delamboye as a suitably reptilian Captain

Opera/**Richard Fairman**

A devil of a task

They are damned if they do and damned if they don't. Opera companies are lured to Berlioz's "dramatic legend", *The Damnation of Faust*, because it is a rare French example of the strong and colourful piece that audiences want to see, but unfortunately it is not an opera and turning it into one is a devil of a task.

Both the Royal Opera and English National Opera have tried to stage *The Damnation of Faust* before; in fact, the work has enjoyed as visible a presence in London since the war as any of Berlioz's three genuine operas. The old ENO staging, though noted in its day for a novel use of projections, would certainly look old hat now – so that is taken as reason enough to have yet another try.

To make sure of a new look, ENO has brought back faces from its so-called "Powerhouse" era, when controversy was guaranteed to sell seats. There is no mistaking the work of the producer David Alden, teamed here with designer Roni Toren, and not just because his trademarks (the wheel-chair, the peeling wallpaper, the hanging light) put in their usual appearances. The self-confidence of that period is written large in every theatrical image.

Most of the audience may have come out asking each other "What *was* that all about?", but Alden admirers cheered the show. He does not try to tell the story as a straight narrative, which is probably sensible as Berlioz does not either. *The Damnation of Faust* is only a drama in the mind's eye and it is a question of what one's mind sees. Mine certainly does not imagine the will-o'-the-wisps as a fat lady, a pair of clowns, two cinema usherettes and a Patsy (*Absolutely Fabulous*) lookalike, but each to his own.

The old parable is being given a modern slant. Faust is a pitiful loner, with National Health glasses and drooping braces, cooped up in his 1960s apartment with nobody to talk to except his reel-to-reel tape recorder. When he is tempted to find liberation in the outside world, all he finds are drunken yobs, bands of protestors, and the solace of a can of beer. In the end as he goes bonkers and, as he crawls to the front of the stage, he looks out as if to say, "This is your story, every one of you" – a depressing moral.

Bonaventura Bottone is thoroughly convincing as the nerd, playing the title-role with a pathetic dead-pan expression which would make Rowan Atkinson proud. He sings with strong projection and stamina, although there is a lot of squeezing of the voice. Willard White made a forceful Mephistopheles rather than an elegantly French, insinuating one. As Marguerite, Louise Winter hit some unfocused patches of tone, but how fraught with anxiety she and the production made the big aria. Graeme Danby sang confidently as a Brander who is a skinhead lout.

With the ENO orchestra playing to a high standard of ensemble, it was the mounting intensity of the score as a whole that gripped the attention. Back with his old orchestra, Mark Elder had rehearsed every detail and only needs to let himself go a bit for this very well-drilled performance to take off.

Does it work as a show? At the half-way point there had been so many arty theatrical clichés that I would have said no. But from there to the end, as Alden drew his threads together, the production did start to work that liberating effect so admired in the "Powerhouse" style and bring the drama urgently to life. After a number of bland stagings, ENO could do with a shot of the old hubris wonderdrug.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw Tel: 31-20-6718345
● Radio Filharmonisch Orkest: with conductor Gennady Rozhdestvensky, violinist Alexander Rozhdestvensky and mezzo-soprano Anne Gjevang perform works by Dvorák, Busoni, Sibelius and Chadwick; Apr 12

EXHIBITION
De Nieuwe Kerk Tel: 31-20-6268168
● Catharina, the Empress and the Arts: exhibition featuring 19 old master paintings from the collection of the Russian Czarina Catharina the Great (1729-1796), *including works by Titian,* Bordone, Rubens, Hals, Jordaens and Rembrandt. Also displayed are other art objects and personal belongings of the Czarina; to Apr 13

■ BERLIN

CONCERT
Philharmonie Berlin - Grosser Saal & Kammermusiksaal Tel: 49-30-2614383
● Philharmonischer Chor: with *conductor Uwe Gronostay and* the Staatsorchester Frankfurt perform works by Beethoven and Schubert; Apr 13

OPERA
Deutsche Oper Berlin Tel: 49-30-3438401
● *Macbeth: by Verdi. Conducted* by Garcia Navarro, performed by the Deutsche Oper Berlin. Soloists include Volker Horn, Simon Ester, Maria Guleghina and Reinhard *Hagen*; Apr 11

■ BIRMINGHAM

CONCERT
Symphony Hall Tel: 44-121-2002000
● Zurich Tonhalle Orchester: with conductor David Zinman and pianist Radu Lupu perform works *by Brahms and* Beethoven; Apr 13

■ CHICAGO

EXHIBITION
Art Institute of Chicago Tel: 1-312-4433600
● Michelangelo and His Influence: Drawings from Windsor Castle: exhibition examining examples of Michelangelo's draftsmanship, with the aim of *demonstrating the impact* of the artist on the imagination, technique, style and imagery of his contemporaries and successors. Eighteen sheets with 23 drawings by Michelangelo and 50 drawings and five engravings by other masters have been selected from the collection at Windsor Castle; from Apr 12 to Jun 22

■ FRANKFURT

OPERA
Städtische Bühnen Oper, Ballett, Schauspiel Tel: 49-69-21237444
● Fidelio: by Beethoven. *Conducted by Sylvain* Cambreling, performed by the Oper Frankfurt. Soloists include Henk Smit, Patrick Raferty, Kristine Ciesinki and others; Apr 13

■ LONDON

CONCERT
Barbican Hall Tel: 44-171-6384141
● London Symphony Orchestra: *with conductor David Robertson* and trumpeter Maurice Murphy perform works by Janácek, Haydn and Dvorák; Apr 13
Royal Festival Hall Tel: 44-171-9604242
● Philharmonia Orchestra: with conductor Maxim Shostakovich, violinist Igor Oistrakh and the Associate Orchestra of the Royal *Festival Hall, perform* works by Shostakovich; Apr 13

EXHIBITION
Design Museum Tel: 44-171-3786055
● Charlotte Perriand: Modernist Pioneer: the first British *retrospective devoted to the* career of the leading French interior architect and designer Charlotte Perriand. Key examples of her work are used to illustrate the changes in her design style from her earliest training in the tradition of the beaux arts, through to the evolution of her modernist aesthetic in the late 1920s, to her continued *fascination with modern materials* in the 1990s; to Apr 13
Institute of Contemporary Arts - ICA Galleries Tel: 44-171-9303647
● Belladonna: group show examining fin de siècle representations of horror and *romance. Artists include Andreas* Gursky, Paul Thek, Jeff Koons, Liza May Post, Bridget Riley, and Anish Kapoor; to Apr 12

■ MILAN

OPERA
Teatro alla Scala di Milano Tel: 39-2-88791
● *Siegfried*: by Wagner. Conducted by Riccardo Muti, performed by the Orchestra a Coro del Teatro alla Scala. Soloists include Jane Eaglen, *Mette Ejsing, Eva Lind* and Siegfried Jerusalem; Apr 12

■ NEW YORK

CONCERT
The Walter Reade Theater Tel: 1-212-875-5600
● Colorado String Quartet: perform works by Mozart and Debussy; Apr 13

EXHIBITION
The Metropolitan Museum of **Art** Tel: 1-212-879-5500
● The Four Seasons: display featuring over 80 costumes selected from the museum's collection. The exhibition spans three centuries and examines the influence on fashion of changes in climate, social life and recreation; to Aug 17
Whitney Museum of American Art *Tel:* 1-212-570-3600
● The 1997 Biennial Exhibition: the 1997 Biennial is the 69th in the series of *biennial* exhibitions, first established by museum founder Gertrude Vanderbilt Whitney in 1932. The biennial is the Whitney's signature exhibition *and focuses on the most* important developments in recent American art; to Jun 22

OPERA
Metropolitan Opera House Tel: 1-212-362-6000
● Faust: by Gounod. Conducted by Julius Rudel, performed by the Metropolitan Opera. Soloists include Renée Fleming, Jianyi Zhang and Dwayne Croft; Apr 12

■ PARIS

CONCERT
Cité de la Musique Tel: 33-1 44 84 45 00
● Chamber Orchestra of Europe: with conductor Emmanuel Krivina and pianist Maria Joao Pires perform works by Wagner, Chopin and Mozart; Apr 13
Théâtre des Champs-Elysées Tel: 33-1 49 52 50 50
● Steven Kovacevich: the pianist performs works by Bach and Schubert; Apr 13

EXHIBITION
Centre Georges Pompidou Tel: 33-1-44 78 12 33
● Martial Raysse: display of some 100 drawings by the French artist who came to prominence in the early 1960s as part of the New Realism, quickly gaining a reputation for a more modern outlook than his nostalgic peers; *from Apr 9 to Jun 9*

■ ROME

CONCERT
Accademia Nazionale di Santa Cecilia Tel: 39-6-3611064
● Orchestra dell'Academia di *Santa Cecilia: with conductor* Wolfgang Sawallisch and mezzo-soprano Marjana Lipovsek perform works by Mussorgsky and Schumann; Apr 13, 14, 15

■ VIENNA

CONCERT
Musikverein Tel: 43-1-5058681
● Staatskapelle Dresden: with conductor Giuseppe Sinopoli perform works by Mahler; Apr 12

■ ZURICH

OPERA
Opernhaus Zürich Tel: 41-1-268 6666
● Die Lustige Witwe: by Lehár. Conducted by Franz Welser-Möst, performed by the Zürcher Oper. Soloists include Malin Hartelius, *Liliana Nichiteanu and Rodney* Gilfry; Apr 13

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Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

COMMENT & ANALYSIS

Edward Mortimer

Descent into chaos

Post-modern states must learn to deal with countries such as Albania that have collapsed into anarchy

Albania is the latest example, and the one closest to home for those of us in relatively comfortable western Europe: a state that has collapsed, disappeared and lost the monopoly of force. It can no longer perform even the minimum "night watchman" role grudgingly conceded to the state by libertarians.

Before Albania came Afghanistan in Asia; Somalia, Liberia and Sierra Leone in Africa; Georgia and Tajikistan in the former Soviet Union. Should we include Cambodia, northern Iraq, Yugoslavia, Rwanda, Zaire? Each case is different, and I could easily devote the whole column to arguing which belong in the category of "failed states". For the time being, let's just agree there are more of them in the 1990s than there were earlier in the century.

So is state collapse a "post-modern" phenomenon, an apt nemesis at last punishing the hubris of modernity, the vice of which has been to worship the state, to turn to it for the solution of every problem, to intrude it into every aspect of people's lives?

Or is state collapse, on the contrary, a pre-modern phenomenon? Chaos and anarchy are hardly new in human history, after all. Has part of the world simply reverted to the typical dilemma of ancient and medieval times, before the rise of the modern state system: the choice between empire and chaos?

The latter view is that of Mr Robert Cooper, a British diplomat who last year published one of those rare pamphlets* that help you understand the way the world is changing. For him, the true post-modern world consists only of Europe – mainly western Europe so far – Canada, Japan and "up to a point" the US.

In these places, "the state system of the modern world is also collapsing; but unlike the pre-modern [world] it is collapsing into greater order rather than into disorder". Post-modern states are transparent and mutually vulnerable. They reject force as a means of settling disputes, relying instead on elaborately codified rules of behaviour.

Mr Cooper sees the EU as a typically post-modern institution, "a highly developed system for mutual interference in each other's domestic affairs". The US, by contrast, is only partly post-modern because it still feels invulnerable, except to nuclear weapons, and is therefore less willing to resign itself to mutual surveillance and interference.

Modern concepts like sovereignty and the balance of power are increasingly irrelevant to post-modern states. So indeed are territorial borders, easily crossed by so many people, technologies and institutions.

Their political leaders have a difficult time, however. They can no longer use the state to control the economy, but they have to respond to complex competing pressures, including those of tha media and popular emotion, in a highly diverse and uncertain world. Power is diffused both domestically and internationally. Indeed the distinction between domestic and foreign affairs has largely vanished.

But in between the post-modern and pre-modern worlds, warns Mr Cooper, plenty of states remain resolutely modern: brooking no external interference in their domestic affairs, relying on force for their security, and ready to use force to change borders if they get the chance. Most states outside Europe and North America come into this category, though many are candidates for collapse into pre-modernity if things go wrong. Individuals within many of them are attracted by post-modernism. Russia "embodies all three possibilities" – as did the former Yugoslavia, though its successor states are mainly of the modern type.

Even if collapsed states have many pre-modern features they are also part of the post-modern world, as Mr Cooper implicitly admits. "Previously, such areas, precisely because of their chaos, were isolated from the rest of the world. Not so today when a country without much law and order can still have an international airport."

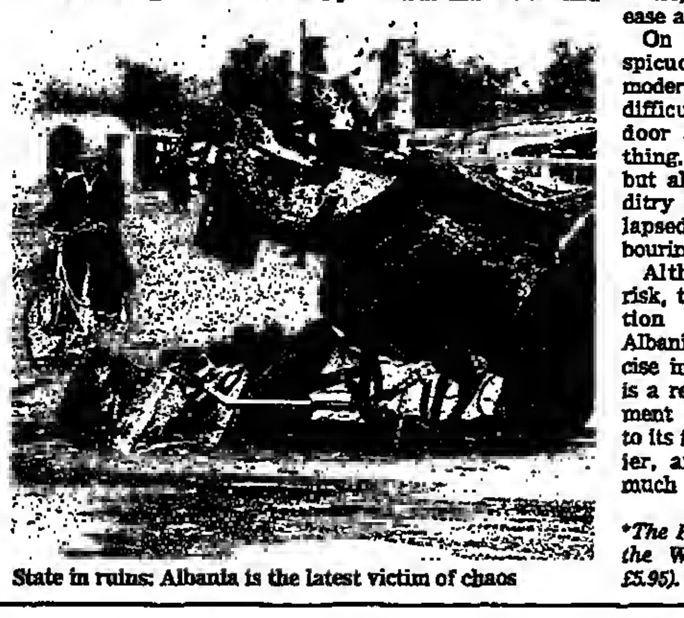
So what should post-modern states do about pre-modern chaos? "On the basis of a rational calculation of interest the answer should be: as little as possible," says Mr Cooper. But that, as he recognises, is a modern, not a post-modern, way of thinking. "Such 'realistic' doctrines, for all their intellectual coherence, are not [in fact] realistic... We no longer live in a world of pure national interest. Human rights and humanitarian problems inevitably play an important part in our policy-making."

Mr Cooper is almost certainly right in thinking that western interventions in the pre-modern world are doomed to incoherence, ambiguity and frustration, because post-modern states, unlike their modern predecessors, shrink from "the most logical way to deal with chaos" – namely colonisation. But he is surely wrong to imply that the developed world only involves itself in collapsed states for idealistic motives, and that one could otherwise easily "bar one's door" against the by-products of chaos, such as drugs, disease and refugees.

On the contrary, a conspicuous feature of post-modernity seems to be the difficulty of barring one's door against almost anything. Not only refugees, but also violence and banditry spill over from collapsed states into neighbouring countries.

Although fraught with risk, the Italian-led expedition being planned for Albania is hardly an exercise in altruism. Rather, it is a reluctant acknowledgement that leaving Albania to its fate may be even riskier, and in the long run much more expensive.

The Post-Modern State and the World Order (Demos, £5.95).



State in ruins: Albania is the latest victim of chaos

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Palestinian position on Jerusalem is misleading over Jewish claims

From Mr J. Stephen Rothbart.

Sir, While even Israel's supporters accept that the timing of the building of new homes in east Jerusalem is unfortunate, and Mr Benjamin Netanyahu, the Israeli prime minister, is not picking his moments for his public announcements, the professional reporter should not be blind to the manipulative ways which Mr Yassir Arafat, the Palestinian leader, employs to mislead the world press.

Many claims about the building of homes in "Arab" east Jerusalem are false. For example, Mr Arafat claims that since there were no Jews living in east Jerusalem before 1967, Israel has no claim to any land there. But the only reason there were no Jews in 1966 was because the Jordanians evicted those who lived there in 1948.

The United Nations had meant for Jerusalem to be an international city after the end of the British mandate because of three holy sites and the diversity of the population. Israel accepted this solution, which included a Palestinian state on the West Bank, but the neighbouring Arab states chose to divide Palestine among themselves by an act of war. During that war, the Jordanians took east Jerusalem, but Israel advanced into the city's western half, and after another act of aggression by the Arab states in 1967, Jordan (not Palestine) lost the rest.

During the Arab stewardship of the city, Jews were not allowed to visit their most holy sites, including the Wailing Wall. Since Israel conquered all of Jerusalem all holy sites are open to every denomination.

Since 1967, the number of Arabs and Arab-owned homes in Jerusalem has grown faster than the numbers of Jews or Jewish homes being built there, so surely the solution should be for Jerusalem to become a free city where Arabs and Jews alike can buy or sell their homes in any part of the city. But the Arabs do not want that, because it will mean their having Jews in "their" part of the city. So they claim all of east Jerusalem to be given to them instead, based upon the dubious argument that Jews never lived there.

Reporting should be about facts, and the facts are that Mr Netanyahu is fulfilling most of the previous government's obligations even though he was opposed to them, while Mr Arafat is waging a very skilful public relations war which he is winning, while his "government" does nothing.

J. Stephen Rothbart,
Flat 2,
Belgicka 3,
Prague 2,
Czech Republic

Industry usage will drive future direction of the Internet

From Mr Philip Blackwell.

Sir, In his analysis of how Internet technology is affecting every part of the computer industry ("All-out war in cyberspace", April 3), Peter Martin asks whether it will it be primarily used for entertainment, information or shopping.

The very need to ask this question shows that how other industries use the technology will drive the direction in which the Internet will develop. Our survey of retail opinion across Europe clearly shows that significant take-up of electronic shopping channels by retailers will come over the next two years.

This in itself is a distinct progression from similar research we carried out in 1995 when most retailers planned to use the Internet primarily for information provision. The latest survey shows Internet shopping steadily building for traditional store-based retailers to 14 per cent of total sales and just over half of home shopping sales within a decade. Can there be any doubt that electronic commerce will soon be a key use for the medium?

The focus is all too often on the threat of Internet-adept US companies moving into European markets. In fact, there are huge opportunities for European retailers to exploit their geographical proximity and sell products at favourable prices within the single European market. The UK in particular could become an important European distribution hub. Our research confirms that the ability to expand into international markets is an important motivator for the big boys to get involved.

Philip Blackwell,
associate director,
Cap Gemini,
130 Shaftesbury Avenue,
London W1V 8HH, UK

From Mr Adam Hodgkin.

Sir, Peter Martin's excellent report from the battlefront reaches a debatable conclusion. His conjecture is that Microsoft is likely to lose some of its battles but is winning the war. This may be Microsoft's problem. This model of business is predicated on dominance (of the desktop, the operating system, or the server markets) rather than collaboration.

The most interesting lesson to be drawn from the importance of the Internet and the World Wide Web is that collaborations and mutually enabling technologies are attractive. The Internet and the Web are collaborative to the core. In the language of game-theory, we are moving into an environment where most games are non-zero-sum, not the traditional zero-sum battles of dominance and defeat, victor and vanquished.

Microsoft's position of dominance has been based on one very powerful and stable collaboration with Intel. But if the Intel dominance is broken, Microsoft may find it impossible to win a dominant monopoly in the chaotic but collaborative systems architecture which follows.

One conclusion I draw from Peter Martin's article: winning battles is not always the basis of making a good peace. Collaboration and alliances based on mutual interest may be of the greatest importance. Microsoft has not yet shown it is good at this.

Adam Hodgkin,
managing director,
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Oxford OX4 4GA, UK

Public must be heeded over Emu

From Dr Jürgen Drzymalla.

Sir, in your article "Pact on Emu tells only half the story" (April 7) you quote the opinion of several ministers and a central banker that the question of whether or not Emu will go ahead on schedule and which countries will be the first wave participants will be settled – probably as early as this autumn. Markets would have their say and predetermine the politicians' decisions on this issue.

I am not sure this is right. As I see it, Emu is more a political than an economic project. Our German chancellor, Mr Helmut Kohl, in particular, has linked his reputation with the euro.

If neither Germany nor France met the 3 per cent criterion, where would the limit be set? Some say at 3.2 per cent or 3.3 per cent. But what would happen if Germany exceeded this? Politicians might say the euro is so important for Europe and for Germany in particular that it can't be stopped now. If you read what Mr Kohl or Mr Theo Waigel, the finance minister, say you could gain this impression.

If everything runs really badly, we could get to know all the details about Emu not earlier than May next year. And if, for political reasons, a decision were made for a large monetary union start in 1999, volatility on foreign currency and other financial markets would increase very quickly. At the end of the day, the German constitutional court could stop the German Emu participation at the last minute.

To avoid this, politicians should be forced not only by the markets, but also by the public opinion of Europe's citizens to explain the planned details on the Emu as early as possible. Otherwise, you could conclude that the Emu process might get out of control.

Jürgen Drzymalla,
economist,
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51375 Leverkusen,
Germany

View of obelisk raiders misses a point

From Mr Claudio Scaetta.

Sir, Speaking about empires and obelisks, I appreciated Robert Graham's thorough coverage of the Axum obelisk story ("Obelisk points to change of heart", April 7), although he omits to mention that many Italians have the feeling that the obelisk is being returned to the Ethiopians not in respect of a treaty but in hatred of a (fascist) regime that brought it here. Free of any ideological consideration, I am convinced that the obelisk's real home is now Rome where it is in good company, and where it should continue to stand.

Also, your correspondent correctly points at the Romans, at the French, and at the Italians as imperial raiders of obelisks, but blatantly omits the British. Or did the Cleopatra's Needle walk to London all by itself?

Claudio Scaetta,
Via Gerolamo Belloni 70,
00191 Rome, Italy

Time for EU to stop looking for US support

From Mr Matthew G. Anderson.

Sir, Gerard Baker's article "The uncertain states" (March 29/30) is a quite a fine piece of hypocrisy. Sure, the US has a large portfolio of social problems and its role in foreign affairs could be clearer and more proactive. But let's take a look at Great Britain and her dysfunctional and cowardly neighbours in western Europe: as I recall, it was the US that emboldened both England and occupied Europe in the second world war. It was the US confronting the former Soviet Union over the last 35 years that finally brought political liberty to eastern Europe. It was the US that led an intervention in the former Yugoslavia after France, Germany, and the UK sat by and watched a nation rip itself apart. It's the US that subsidises Nato, the UN, and most multilateral institutions. It's the US that supplies the world with a currency, banking system and capital market that support most financial transactions.

No, Mr Baker, it's time for the UK and the countries that make up the fragile EU to grow up, stop looking to the US to intervene on its behalf in foreign affairs problems, and find an "America" within itself.

Matthew G. Anderson,
Oak Brook,
Illinois, US

Slim chance of success

From Dr Gerhard Wallenwein.

Sir, Your editorial "Kohl again" (April 4) suggests he put the German economy through the same sort of slimming ritual he suffers each year.

Have you seen the result?

Gerhard Wallenwein,
Antonitergasse 4,
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Germany

Global market challenge for UK and US law firms

From Mr Graham D. Vinter.

Sir, Robert Rice's article on the struggle for dominance between the large US and UK law firms overemphasises the role of global equities ("A law unto themselves", April 3).

The project finance market – more the preserve of the commercial banks than the glitzy investment banks – is booming, and not just in Asia. According to *Project Finance International*, total project finance lending last year amounted to \$47.6bn, a substantial figure in its own right. The American Lawyer has just published its own league tables of how that work is divided up between the US and UK firms. The figures show that, in this increasingly important field, the roles are reversed. Of the top five firms in terms of value of financings closed in 1996, four (including the top) are UK: Allen & Overy, Norton Rose, Clifford Chance and Freshfields (in that order, with Milbank Tweed from the US squeezing in at number two).

It must be said, however, that sponsors are increasingly trying to include capital market issues in their project financings. The dollar's role as a world currency and the depth of the US domestic capital markets clearly gives US institutions and, through them, US lawyers a slight edge when a project requires long-term fixed rate dollar funds. This is by no means an insuperable obstacle for UK firms, however. My own firm describes itself as an international law firm – not an English law firm – and we have more than 30 US attorneys working for us, either as partners or associates, many of whom are involved in US securities law.

The law firms which really succeed on the world stage in the next decade may well be those which can effectively marry together capital markets (in its widest sense), the boom area of project finance and practising under different laws from a number of regional offices. I have no doubt that some of the US firms will rise to this triple challenge; but I equally have no doubt that a number of the UK firms will as well.

Graham D. Vinter,
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COMMENT & ANALYSIS

FINANCIAL TIMES
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Wrong about rights

Whatever happens to Denmark's resolution on China at the UN Commission on Human Rights in Geneva, the episode is an embarrassment for Europe. Together with three other countries France has decided to disassociate itself from a resolution condemning Chinese human rights that the EU has put forward each year since the Tiananmen Square massacre in 1989.

The impression has thus been created of a divided Europe in which some members are prepared to suppress legitimate concerns about human rights in order to further national commercial interests.

France looks particularly craven because it appears to be trying to smooth the way for President Chirac's China visit next month amid hopes of lucrative export contracts. It claims a softer line on human rights is justified by a positive evolution in China's approach. This is almost meaningless. Beijing's record – including denial of free speech, imprisonment of dissidents and repression of minorities – remains egregious and well documented.

Democratic governments are duty-bound to make the concerns of their voters on this point clear. A multilateral forum, such as the UN Commission, is an appropriate place to do so. But that does not mean that the issue need – or should – become bound up in trade.

By trying to make the link between trade and policy on human rights through its pressure on France, China is endorsing a precedent which could easily be turned against itself. Others could use its record on human rights as reasons for blocking imports from China.

By succumbing to China's pressure, France is signalling that it can be pushed around by a power with a long historical tradition of exerting authority by exacting tribute from trading partners and neighbours. There is little evidence that China's commercial decisions would ultimately be affected by the UN resolution. Beijing has bought Boeings aplenty despite repeated US strictures on human rights. It will buy Airbus too, if that suits its book.

If France is also offering arms in defiance of restraints agreed with its European partners after Tiananmen, then China will no doubt relish the opportunity to diversify its sources of supply.

The concept of a common foreign policy means little if Europe cannot speak with one voice against a country that has signed neither of the two UN covenants on human rights. Critical resolutions in the UN do hurt, or China would not go to such lengths to block them.

The other point of principle is also important. It sets a poor precedent to mix trade with human rights issues, and especially to allow commerce to be governed by the autocratic whim of a bully.

Rate choice

Labour has successfully cosied up to big business, but the Conservatives are determined to hold on to their small business patch. Mr John Major said yesterday: "We asked small businesses if there was anything more we could do to help them". The answer, it seems, was yes: cuts in business rates.

It is not difficult to understand why. Business rates average a third of profits of companies with turnover below £100,000, compared with 3 per cent for businesses with turnover above £1bn.

The Tories would exempt the first £1,000 of rateable value from tax. Above £1,000, the rate would increase by 2.5 percentage points from the current 46 per cent. This would take 140,000 of the smallest properties out of tax. A further 600,000, with a rateable value under £18,000, would see bills reduced by up to £460. The £800m cost would be paid for with higher rates on larger properties.

Smaller companies have a case for lower relative rates bills, but achieving this could pose problems. Companies would have an incentive to split properties into smaller units to gain from lower taxes. The number of companies avoiding VAT by dividing into units below the VAT registration threshold shows how adept companies can be at exploiting this kind of loophole. At the very least such a reform would raise tax collection costs; it could lose revenue.

Neither is it certain that the benefits would go to smaller companies. Research at the Institute for Fiscal Studies, sponsored by the Department of the Environment, shows that commercial rents tend to reflect changes in the rates burden. Total property costs, rent plus rates, are relatively stable. So, in the medium-term, landlords would benefit rather than smaller businesses.

Finally, the government has already thrown a lot of money at the business rates "problem", focused on companies whose bills were set to rise quickly, particularly smaller ones: £295m in the last budget, £285m in 1995, and £750m in 1994.

Labour would let councils set rates: "a spending spree at the expense of local business", according to the Tories yesterday. But there is little risk since local spending is just 0.3 per cent short of the centrally set cap. Even uncapped councils have probably learned the lesson that economic devastation is the price of excess.

Returning business rates to councils would improve local accountability and remove some of the more perverse features of local taxes. But neither party's proposal would amount to more than a small rebalancing of local taxes.

Smiling Spain

Spain is emerging as something of a rarity in the race for European monetary union. Like so many of its neighbours, the government is doing everything it can to convince the financial markets that it will make it into the single currency on the first attempt. Unlike most of them, it seems actually to be enjoying the experience.

Yesterday's performance by Mr Cristobal Montoro, Spanish secretary of state for the economy, was a case in point. Most of Spain's neighbours are still struggling to persuade voters that the pain of qualifying for Emu will be worth it in the end. Not Mr Montoro. As far as he is concerned, the good times have already arrived. The convergence criteria are in the bag, and the country can now sit back and enjoy a new golden era of rapid growth, rising employment and stable prices.

All this smacks of hubris. But the Spanish economy – and Spain's chances of qualifying for Emu – are looking surprisingly healthy. Monday's employment figures for March, showing registered unemployment falling to its lowest level in 15 years, was only the latest in a spate of good news.

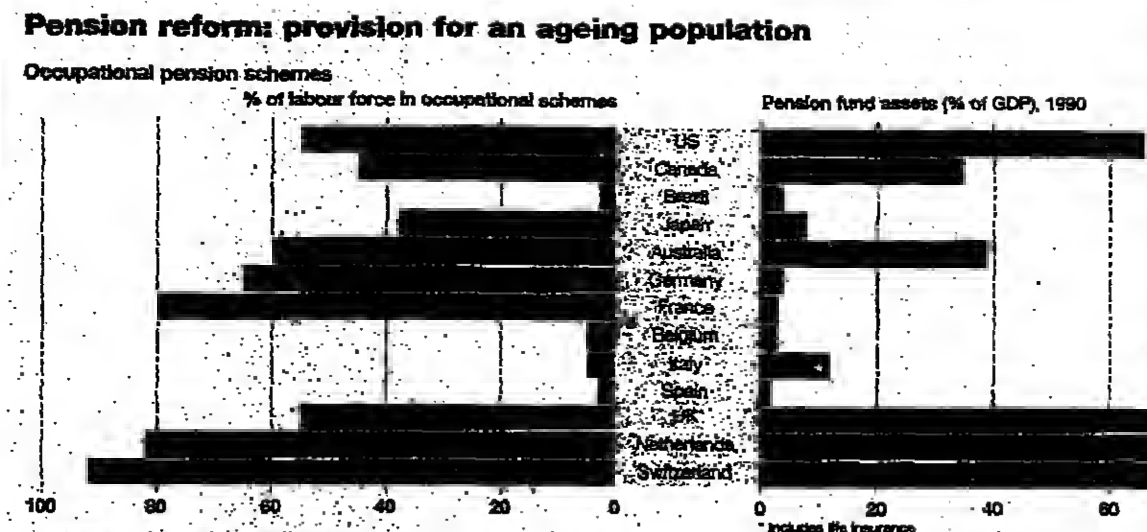
Equally encouraging has been the sharp decline in inflation, long expected to be the largest hurdle in Spain's Emu race. Annual consumer inflation in February was only 2.5 per cent, down from 2.9 per cent the previous month. The next batch of figures could be even better.

As far as the government is concerned, the joint union and business agreement on employment reform, due to be formally announced today or tomorrow, is the icing on the cake. The prime minister, José María Aznar gambled that the two sides would be able to reach an agreement without government help. And on the face of it, the gamble has paid off.

The package falls well short of what will be needed to achieve a lasting decline in unemployment. But it marks an important first step. The unions seem to have agreed to a cut in severance pay in unfair dismissal cases in return for the creation of a new form of contract to give Spain's vast number of "temporary" employees a little more security in their jobs.

Mr Montoro then, can be forgiven for sounding pleased yesterday with the way things were turning out for Spain. Luck has been on the government's side, but so has a firm commitment to Emu, for which it has so far been rewarded in the financial markets. The danger lies in thinking that the government has nothing more to do: especially with regard to the labour market. Making a success of Emu – or turning the labour market around – will take more than one year's rosy figures.

Pension reform: provision for an ageing population



Population over the age of 60 (%)

Country	1990	2000	2010	2020	2030
OECD	[illegible]	18.9	23.1	27.0	30.7
US	16.6	16.5	19.2	24.5	28.2
Germany	[illegible]	23.7	26.5	30.5	35.3
UK	20.8	20.7	23.0	25.5	29.6
Latin America	[illegible]	7.7	9.3	12.2	16.0
Eastern Europe	15.3	17.0	18.2	21.5	22.7
Emerging Asia	[illegible]	8.3	9.5	12.3	16.3
China	8.9	10.2	12.0	16.0	21.9

Source: JP Morgan

General Augusto Pinochet

Lure of the Latin model

Chile's pension reform has been copied across South America but may not be applicable to developed nations, says **Stephen Fidler**

It may turn out to be the most enduring – if unlikely – legacy of the former Chilean dictator, General Augusto Pinochet.

The system of privately managed pension funds, introduced by his government in 1981 and widely viewed as a central plank of Chilean economic success, is being copied all over Latin America. Furthermore, a growing body of opinion views it as the solution to the social security crisis awaiting the ageing populations of the industrialised world.

Yet the Chilean system has flaws acknowledged even by its supporters, and questions remain about whether a programme devised for a young population in a developing country is suitable for older, richer societies with higher expectations.

The Chilean model has already been adopted, with variations, by six other countries in Latin America: Argentina, Bolivia, Colombia, Mexico, Peru and Uruguay. The Venezuelan government is the latest to announce its intention to follow suit.

By 2000, according to estimates by Salomon Brothers, some $200bn (£123bn) of Latin American pension fund assets will be under private management, half in Brazil's occupational pension schemes. By 2011, this will have grown to $600bn.

The Chilean reform created a system of private pension funds to which individuals contribute throughout their working lives. Workers must put 13 per cent of their salary into a personal fund from which they subsequently draw their pension, and are free to choose among competing fund managers.

The system avoids, say its supporters, the inefficiency and unfairness of the old state pensions scheme, including the implicit inter-generational conflicts. Moreover, it creates none of the obstacles to job mobility posed by the company-based schemes of most industrialised countries.

Mr José Piñera, the architect of the Chilean system and now an evangelist for private pension fund reform, claims the reform has also generated important political benefits. "Pensions have ceased to be a government issue, thus depoliticising a huge sector of the economy and giving individuals more control over their own lives," he says.

The claimed economic benefits are manyfold. Labour market distortions are reduced, since job mobility is improved and the payroll tax used to fund the state social security system is reduced or abolished. The depth and sophistication of local financial markets also benefit, improving allocation of resources and providing sources of long-term finance for domestic enterprises.

Finally, the system is also widely credited with increasing Chile's savings rate to 29 per cent of gross domestic product – close to east Asian levels and significantly above Latin America's 19 per cent average – from 10 per cent as recently as 1986.

"By improving the functioning of both the capital and labour markets," says Mr Piñera, "pension privatisation has been one of the key reforms that has pushed the rate of growth of the economy upward from the historical 3 per cent a year to 6.5 per cent on average during the past 12 years."

The claim that pensions reform has been directly responsible for raising the savings rate, however, is unproven. Any increase in private savings may be offset by a decline in government savings. This is because the government has lost income from payroll taxes, but still has to pay existing pensioners.

"The conventional wisdom is that the pension reform has no effect on aggregate savings in the short term," says Mr Sebastian Edwards, professor of economics at UCLA.

The transitional fiscal costs associated with privatising pension funds last for many years. In Mexico, the cost to the budget of a new system that begins this year will only peak in the 2030s, with the total cost of the transition estimated at more than 80 per cent of GDP. The equivalent cost of reform in Chile has been estimated at some 126 per cent of GDP. Though the fiscal effects can be mitigated by forcing pension managers to buy government debt, they represent a significant disincentive for governments to undertake reform.

Private sector savings have grown in Chile, but this growth seems to be linked to other factors, including fast economic growth and tight fiscal policy. Pension privatisation alone does not provide a quick route to higher savings.

Moreover, as Mr Edwards adds, "It is not clear that these mechanisms that have benefited Chile will be there in other, more developed, economies."

Several economic studies showing a beneficial direct effect of pensions reform on the savings rate in Latin America assume that voluntary savings of workers are negligible. This is a reasonable assumption to make in most of the region. But in Europe and the US, private pension funds are more likely to substitute for other savings, leaving little net impact on private savings. In the transition period, when public savings are also reduced, it could easily cause a fall in aggregate savings.

Moreover, while private pension funds have greatly helped develop the Chilean capital market – and will probably do the same elsewhere in Latin America – those benefits would be significantly lower in countries such as the US and the UK where financial markets are already highly developed.

There are other important differences between Latin America and most of the richer countries. One is the motive driving reform. According to Mr Philip Suttle, an economist with J.P. Morgan in New York, the need for reform in richer countries arises from the recognition that "pay-as-you-go" public pension programmes are fiscally unsustainable.

Projections "suggest the fiscal time bomb is ticking in all G7 countries with the exceptions of the UK and the US", says Mr Suttle. He calculates the net present value of future net public pension liabilities in the other Group of Seven leading industrial countries – Canada, France, Germany, Italy and Japan – at between 60 per cent and 100 per cent of gross domestic product. This is at least as big as their public debt.

Resolving this by increasing payroll taxes would discourage employment, but cutting entitlements would be difficult politically. Indeed, the popular attachment to existing pension regimes is strong in most G7 countries.

This marks another sharp contrast with Latin America where people have tended to regard state pension schemes as corrupt and inequitable. In Peru, which privatised its pension system in 1993, the state's investment managers produced an average annual negative return of 37.4 per cent during the 1980s. In Chile before 1980, there were more than 100 different retirement regimes, allowing some workers to retire with a high pension at 42 and forcing other, mostly blue-collar, workers to wait until they were 65.

But even supporters of Chile's reform admit that it is far from resolving all the problems of pensions provision. One issue is unsatisfactory coverage: only 60 per cent to 62 per cent of Chilean workers are in effect covered by the private system. "That's very low and it's not very different from the old system," says Mr Edwards at UCLA.

In some years, the Chilean government has spent up to 4 per cent of GDP to provide a safety net to pensioners who have never been employed or whose accumulated funds are too low to generate a minimum pension. This is a significant sum to provide a safety net, and western governments would have to spend a lot more to guarantee a standard of living acceptable to their electorates. Furthermore, the existence of government support establishes perverse incentives, acting to discourage contributions from those likely to receive a low pension anyway.

Another issue is the system's high administrative costs. This is equivalent to close to 2 per cent a year of invested assets. A third of this – about $161m last year – is generated by large sales teams employed to encourage contributors to switch funds, which they can do up to three times a year. The incentives used can include holidays, televisions or groceries.

Though these operating costs are higher than the government-administered funds of Malaysia and Singapore – equivalent to 0.1 per cent to 0.2 per cent of accumulated assets – they remain significantly lower than the old state-run system in Chile. Moreover, the rates of return of privately managed funds have tended to be higher than state-managed funds. The Chilean system has enjoyed a real average annual rate of return of 12.2 per cent since it began.

Such returns will be difficult for other nascent pension systems in Latin America to replicate. Even in Chile, they are unlikely to continue, because the spectacular growth of the Chilean stock market is likely to slow and high real interest rates are falling. Over the past few years, returns have dropped: the funds reported o 3.5 per cent profit last year against a 2.5 per cent loss in 1995.

This is increasing the pressure for a greater foreign diversification. Chilean pension funds hold only 0.5 per cent in foreign shares and bonds, below the legal ceiling set by the government.

What is clear from examining the Chilean system is that details can make a big difference. Some of the copycat programmes are voluntary, such as that of Argentina. Others force employers to contribute, reducing the labour market benefits. Some, such as Mexico's, allow managers to run more than one fund, reducing the costs of switching. Others, such as that in Peru, have high ceilings for foreign investment.

But it is hard to envisage the industrialised countries following any of these radical examples.

Even General Pinochet was a reluctant convert to pensions privatisation, and made sure that the police and armed forces were exempted from the reform. When the old soldier finally retires as head of Chile's armed forces next year, at the age of 82, it will not be to a private pension, but to one provided by the state.

· O B S E R V E R ·

Tung hits home run

■ Housing is weighing heavily on the mind of Tung Chee-hwa, Hong Kong's first chief executive, as the post-colonial governor will be known. Soaring property prices are prompting rumblings of public discontent – and Tung is having a spot of trouble getting an official roof over his own head.

Government House, the traditional seat of colonial power, seems to have been rejected by the territory's most prominent *househunter*. Subsequent rumours that Tung was looking at Headquarter House – home to the commander of British forces – have also fallen flat. Local papers say he's now considering the sprawling residence of the chief justice, situated on the exclusive *Victoria Peak*, but vacant since last autumn when its former occupant challenged Tung for the territory's top job.

While there's less than 80 days to go before Tung takes up his new post, he's not about to be rushed. *Government House* did not score well on feng shui because it faces the sharp edge of the razor-like Bank of China building; Tung also heard it was a little cramped. Since the residence covers more than two *hectares of the land-scarce* island, fellow househunters might find it hard to sympathise.

Unstable lad

■ In Las Vegas they woo punters with singing divas, exploding volcanoes and any amount of glitter. Proprietors of *Melbourne's large and* controversial new Crown Casino *have other ideas*. How about a stuffed racehorse?

Not just any racehorse, mind you. The Crown has its eyes on Phar Lap, the legendary gelding that won the hearts of Australian racegoers before *dying mysteriously in 1932. The* horse has since become part of racing folklore and the cause of his demise – was it the Mafia or the Americans? – has been a rich vein for publishers. Now the Melbourne museum which *houses Phar Lap's* stuffed skin is relocating; the race is on for *what remains* of the old nag.

The Crown Casino has been running hard, promising a dedicated display if it gets its horse. Rival offers have come from the city of Geelong and the Melbourne Cricket Ground. "If *he's to be moved anywhere*, the racing industry is the most appropriate forum," sniffed the local sports minister, seeming to make a firm favourite of the Victorian Racing Club. But even the race track is *a* non-starter *according to state* premier Jeff Kennett. He says Phar Lap has become delicate with age. The most likely move is one floor down to the State Library entrance, to "limit the risk of the exhibit almost self-destructing".

Rounding off

■ The European Round *Table of* Industrialists is about to lose the man credited with turning it from a shadowy set-up into an effective lobbying force. Keith Richardson, secretary general of the blue-chip club, will retire at the end of the year after a decade in charge.

News of Richardson's departure is the second blow to the Brussels business community in *a* matter of weeks; Zygmunt Tyszkiewicz has also announced that he'll step down early next year as secretary general of *Unice, the European* employers federation. Both will be hard acts to follow.

The ERT includes the chairmen of 45 top European companies including BP, Fiat, Krupp, and Renault. In recent years it can claim to hava influenced the EU agenda on issues such as competitiveness, training and job creation.

A Yorkshireman and former journalist, Richardson has demonstrated a flair for producing crunchy phrases and for guessing tomorrow's headlines. He also draws on practical experience in industry, first as a factory manager for GKN, the UK engineering company, and later as head of public affairs for tobacco giant BAT. The ERT is already looking round for a successor.

Boonma town

■ Teng Boonma, head of the Phnom Penh Chamber of Commerce, yesterday showed the kind of direct approach that has made him the country's richest businessman. Upset that his flight home on the state-owned Royal Air Combodge was late – and his luggage *was* lost – he took an automatic weapon from a bodyguard and opened fire on the plane.

"I was furious, so I shot one tyre. Of course I wanted to shoot four tyres in order to pay them back," he said. "I stopped because I was worried tha bullets would wound somebody."

Teng Boonma, whose interests include the new Intercontinental Hotel, several trading companies and the Cambodia Mekong Bank, was not arrested. But prime minister Prince Norodom *Ranariddh condemned the* incident. "The situation in Cambodia is becoming worse and worse," said the PM, as shots rang out across the street from where he was talking in what police described as *a neighbourhood dispute*.

The Financial Times

100 years ago

Such Utter Foolishness
We have received from Mr B. Israel, manager of the Diamond Jubilee Publishing Company, a copy of an extremely curious souvenir portrait of the Queen. It is considerably larger than life-size, and every line of it takes the form of letterpress, the history of Her Majesty's life thus being narrated at a length of some 173,000 words. From first to last, says Mr Israel, the *thing* has taken nearly five years to complete; and he tells us further that nothing of the kind has been done before. We can quite believe it, for cases of such utter foolishness are, happily, rare.

50 years ago

Death Of Mr Henry Ford
The death was announced from Detroit yesterday of Mr. Henry Ford. He would have been 84 on 30th July next. It was not far from Detroit that he spent his boyhood on his father's farm, and agriculture remained one of his principal interests throughout his life. His early ideas included a mechanical vehicle which could be used for farm work, but he put this aside in order to concentrate on a "horseless carriage" for the roads.

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FINANCIAL TIMES
Wednesday April 9 1997

CAROLINA BUILDERS
WOLSELEY

France could become important supplier

China renews efforts to end arms embargo

By Tony Walker in Beijing

China is making fresh efforts to end an international embargo on arms sales to the country and has singled out France as the possible key supplier, according to military attachés in Beijing.

China's warm welcome this week for Mr Charles Millon, French defence minister, reflects Beijing's desire to strengthen military ties with France and increase its options for arms purchases.

"Beijing wants to splinter the arms accord," said a military attaché in Beijing. "In any case, we have seen a growing push, driven by economic imperatives, to review the embargo."

The European Union banned arms sales to China in June 1989 following Beijing's crackdown on pro-democracy protesters in which hundreds were killed by the military.

Mr Millon indicated yesterday that France was becoming impatient with the restrictions. "One can hope that things will evolve and that in the future a decision will be taken to advance the situation," he said.

Mr Millon is preparing for the visit next month of Mr Jacques Chirac, the French president, during which a $2bn deal for Chinese purchases of Airbus aircraft is expected to be concluded.

Millon: Warm welcome

In an effort to neutralise the arms embargo, China's military contacts with the west over the past year or so have included visits by its defence minister and senior generals.

China's main source of arms since the 1989 embargo has been Russia. It is believed to be anxious to widen its circle of potential suppliers and is thought to be eyeing French-produced jet engines for military aircraft under development. These include J-10 fighters and SB-7 naval fighter bombers.

The Chinese military, with a budget increase of 12.7 per cent this year, is also in the market for more sophisticated air defence systems and possible help in developing its navy.

Jane's Intelligence Review, a defence industry journal, reported that in September Beijing arms purchasers had toured defence equipment factories in France and Germany – a sign that European resolve to maintain the embargo may be weakening.

Britain last year approved the sale of sophisticated surveillance equipment on the grounds that it did not add to China's offensive capabilities. GEC-Marconi and Racal-Thorn were permitted to sell maritime and air defence radar to China.

EU countries have been able to use their own discretion under the terms of the embargo. The UK bans weapons such as guns, missiles, military aircraft, warships, armoured vehicles and "equipment which is likely to be used for internal repression".

France is understood to be anxious to see the embargo lifted because its defence industries – the largest in Europe – are suffering from a depressed economy and falling domestic demand.

But the attaché indicated that other European countries, including Germany, Italy and Spain, were also keen on a review.

"There has been a growing push over the past few years," he said. "The feeling is that if the Chinese don't get it from us, they will get it from Russia. At least, if they get it from us we know what they've got."

Editorial Comment, Page 15

Hoechst drops abortion pill

Continued from Page 1

RU 486 since it became the main shareholder in Roussel Uclaf 10 years ago.

In 1988, Hoechst forbade its French subsidiary from marketing RU 486 outside the three countries where it was already on sale. However the French health ministry insisted it remain on sale in France on grounds that it was "the moral property of women".

Dr Sakiz said he would form a new company, provisionally called Exelgyn, with four other employees, which would control non-US rights to RU 486 and subcontract production. He said the annual sales of the pill were worth less than FFr20m and he would not seek to make a profit. Any surplus would be used to fund research in related fields.

"RU 486 is a remarkable French discovery, and it would have been completely unacceptable to bury it," said Dr Sakiz. He said the drug had been used about 250,000 times and could save tens of thousands of women who risked death from illegal abortions.

US finance reform call

Continued from Page 1

privileged access to bank financing. "The only rationale for it is that powerful groups want it," he said.

Consideration of the planned changes has been delayed while the House committee has awaited the crucial verdict of the Clinton administration on the proposed reforms.

Mr Robert Rubin, the Treasury secretary, had been expected to give his views on the plans last month, but debate within the administration seems to be delaying the announcement.

German unemployment falls to 11.7% in March

Continued from Page 1

Klaus Friedrich, chief economist of Dresdner Bank in Frankfurt, said faster economic growth of nearly 3 per cent this year could bring unemployment down to 4.2m by the end of the year.

Further highlighting Germany's labour market problems yesterday were January employment figures which showed a 588,000 drop to 33.78m in the labour force compared with January 1996.

• The German Trade Union Federation (DGB) yesterday called on the government to make no further cuts in social spending and public investment in its drive to meet the criteria for European monetary union, Frederick Stüdemann in Berlin writes.

In a statement issued at a "summit for jobs" in Berlin, the DGB said the deficit criteria should be met in the spirit of the Maastricht Treaty, which lays down the terms for entry into Emu. The DGB said fears were growing that the criteria for Emu was being "misused" at the expense of workers and employees.

Italian PM calls for unity on mission to Albania

By Robert Graham in Rome

Mr Romano Prodi, Italy's prime minister, last night appealed for political parties to unite and back an Italian-led humanitarian mission to Albania.

But his centre-left government plunged deeper into crisis as the rightwing opposition prepared to demand a high price for supporting the sending of troops to Albania.

"The Albanian question cannot be turned into a domestic dispute by the political parties or used by the opposition as a weapon to weaken the government," Mr Prodi said.

His appeal was made as he opened the debate in the Senate, the upper house of parliament, but it fell on deaf ears.

Mr Piero Fassino, deputy foreign minister, had tried to heal a rift between the Party of the Democratic Left (PDS), the dominant party in the government coalition, and its hardline parliamentary allies in Reconstructed Communism (RC), by calling for the resignation of Mr Sali Berisha, the Albanian president.

The government has a majority in the Senate without RC; but in the chamber of deputies it needs the communists for its own motion today endorsing the mission to pass.

In response to Mr Fassino, the opposition called off talks to discuss a joint approach to tabling motions in the Senate and chamber. The Albanian government also registered a formal protest.

RC has pledged to deny the government its majority in the chamber of deputies in objection to sending 2,500 troops to Albania. It claims the mission would prop up President Berisha, whom it would like to see step down.

At the same time, the rightwing opposition, which has considerable sympathy for President Berisha, accused Mr Fassino of interfering in Albania's internal affairs.

Mr Prodi last night appealed to all parties, saying Italy's national honour was at stake. He said that for the first time Italy was committed to heading a big international initiative involving troops from eight European nations.

The rightwing opposition backs the idea of sending troops to protect the distribution of humanitarian aid and allow a return to normality in the run-up to Albanian elections in June. But it also wants to highlight the contradictions between the centre-left Olive Tree coalition and RC, its parliamentary ally. It will table and vote for a separate motion.

Edward Mortimer, Page 14

THE LEX COLUMN

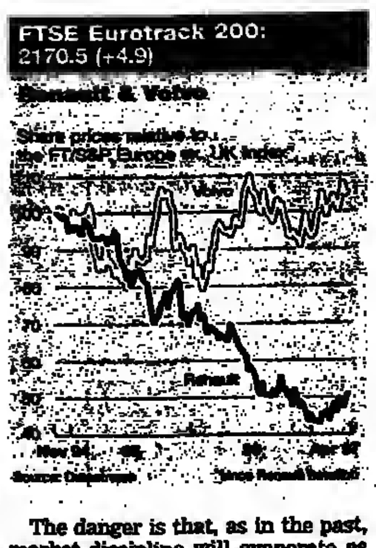
No truck

Renault and Volvo went to great lengths yesterday to deny talks about a merger of their US truck operations. This is a pity since such a combination would make powerful industrial and financial sense. The US heavy truck market is plagued by overcapacity and volatility. Of the six main manufacturers, Volvo and America's Navistar are both making losses, while Renault's Mack Trucks is barely back in the black again. And demand is set to fall further this year after a 16 per cent decline in volumes during 1996. But what has really put the cat among the pigeons is February's acquisition of Ford's heavy truck operation by Daimler-Benz's Freightliner subsidiary. If passed by the competition authorities, this will give Freightliner a commanding 39 per cent market share.

Buying Mack would turn Volvo into an effective counterweight. The combined group would have about 24 per cent of the market, just ahead of privately-owned Paccar with 22 per cent. There would also be considerable savings from shared development costs as well as linking service centres and dealers. Judging by the $200m-$300m (£125.7m-£188.6m) Freightliner paid for Ford's unit, Mack's $1bn of sales might cost $400m or so – small change for Volvo which has net cash of SKr12bn ($1.6bn).

There are hurdles to such a deal, principally Renault's refusal to contemplate disposals at present. But in the long term, neither Mack nor Volvo's US truck operation look viable on their own.

FTSE Eurotrack 200: 2170.5 (+4.9)



Paper and packaging

Is the paper industry coming to its senses? It is just possible the dire trading conditions of the past 18 months have so shaken producers that they will not sabotage the next upturn by over-investing in new capacity. No European or US company has a big new mill coming onstream between now and 1999. International Paper, US market leader, has even announced it will build no more capacity. Instead, more companies are adopting the argument put forward by Ireland's Jefferson Smurfit that it is cheaper to swap assets or buy capacity than to build it. The Netherlands' KNP is looking for a partner for its coated paper division, while Smurfit would dearly like to buy the corrugated box operations of Rexam, Enso or Metsä-Serla to enhance its geographic spread.

The danger is that, as in the past, market discipline will evaporate as prices recover. However, companies are under more pressure from shareholders than ever before. Sweden's SCA faced calls for a break-up recently and most of its Scandinavian peers maintained or increased their dividends for 1996 even though earnings fell between 50 and 75 per cent. If Europe's paper companies can hold the line, they are due for a re-rating.

Tesco

Investors breathed a sigh of relief yesterday as Tesco demonstrated that it is business as usual in UK supermarkets, after a less than festive Christmas. But the outlook is not quite as bountiful as Tesco suggests. During 1997, the group will claw back profit margins through productivity gains and the ending of the petrol price war. Moreover, the management is confident that lower product costs will not be fully passed on to the consumer. Yet margins are forecast to be flat this year. So Tesco clearly plans to pump margin improvements into price cuts and other initiatives to drive sales growth. Its performance in the last three years suggests this must be bad news for the competition.

Tesco's push outside the UK underlines the pressure within, as returns on the big food retailers' vast investment programmes continue to shrink. Fortunately, Tesco has learnt its lesson from Catteau, its unsuccessful French acquisition, and is not going to splash out on strategic overseas moves. Investment in Catteau is now lower than depreciation – a vote of no confidence which suggests it will probably be sold. And the recent £640m acquisition of Irish supermarkets looks dull, if worthy. But it will add a few percentage points to profits growth over the next few years. And it buys time, while Tesco steadily builds its presence in the potentially more fertile investment grounds of eastern Europe.

UK equities

Imagine for a moment Britain's pension funds' worst nightmare – that an incoming Labour government hacks away at their tax credit on dividends. What would be the market impact?

Assume that the tax credit was, say, halved to 10 per cent. Tax-exempt investors, with about half the UK stock market, would see the value of their future dividend stream cut by 10 per cent. In theory the total value of UK quoted companies would fall by about 5 per cent. But that is not quite all. By eccentric tradition, actuaries value stocks on current dividends. So valuations of pension funds' UK equity holdings would also fall by 10 per cent, with a knock-on impact to valuations of the companies which stand behind them. Even allowing for the tax-deductibility of any fund top-ups, this could knock a further 1-2 per cent off share prices.

Of course, the reality might not be as grim as theory suggests. Arguably, some expectation of a cut is already built into share prices. And investors might regard some of the potential consequences as implausibly abstract. Against these comforting thoughts, however, has to be weighed the strong likelihood that a cut would be seen as a first step; abolition, many would think, would just be a matter of time.

But is any of this likely? Not if British business gets its act together and ensures Labour understands the consequences. There may indeed be a case for abolition of the tax credit as part of a revenue-neutral move towards a structurally saner tax system. This would create specific winners and losers, without damaging share prices overall. But just raiding the tax credit, without funnelling the proceeds back via lower corporation tax, would merely raise the cost of capital and damage investment – not at all what Labour says it wants.

Additional Lex comment on Tarmac, Page 23

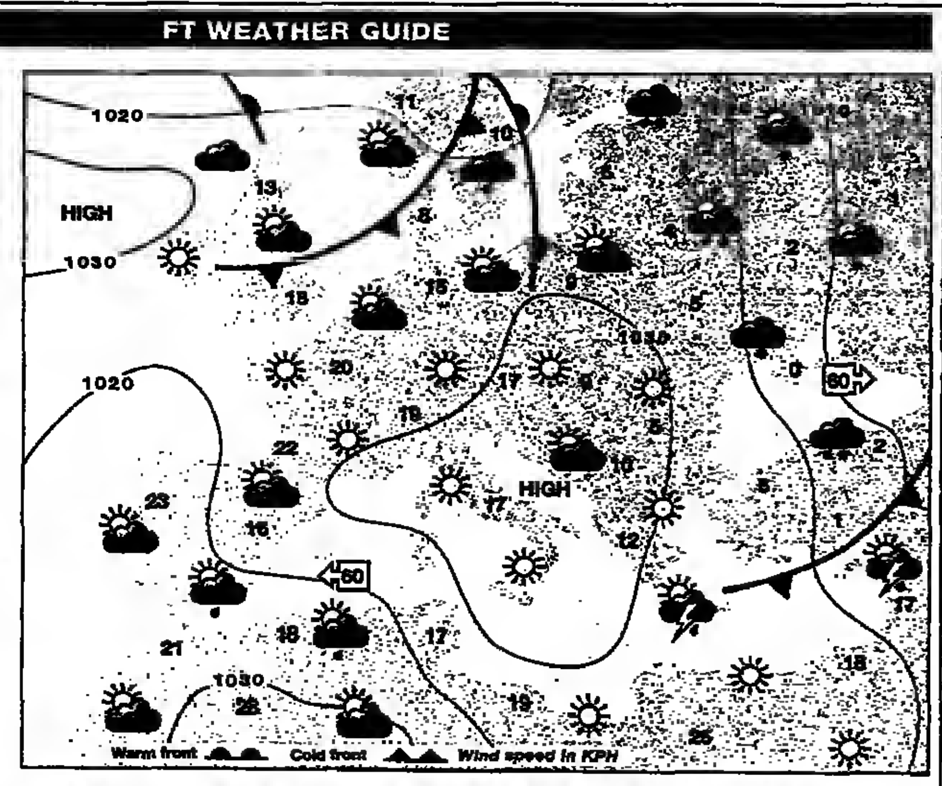
FT WEATHER GUIDE

Europe today

High pressure near the Adriatic will promote ample sunshine and mild conditions over much of western and central Europe. A front moving south will produce overcast conditions across the northern British Isles but it will stay dry. Southern Scandinavia will have cloud and showers but Denmark will be dry with sunny spells. The western Mediterranean will be unsettled and windy. Eastern and southern Spain will be cloudy with rainy periods. Portugal and northern Spain will have sunny spells, though showers are possible.

Five-day forecast

Unsettled conditions with showers will continue over the Iberian peninsula. Western and central Europe will be fine and mainly dry owing to high pressure. Cloud, showers and cool conditions will continue in eastern and south-eastern Europe.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES (Maximum Celsius)

Abu Dhabi	sun	33	Beijing	sun	20	Caracas	fair	30	Faro	fair	21	Madrid	shower	16	Rangoon	sun	37
Accra	fair	32	Belfast	cloudy	13	Cardiff	sun	18	Frankfurt	sun	18	Majorca	windy	16	Reykjavik	rain	5
Algiers	shower	16	Belgrade	sun	10	Casablanca	fair	21	Geneva	fair	16	Malta	fair	15	Rio	shower	27
Amsterdam	fair	16	Berlin	fair	14	Chicago	sun	3	Gibraltar	shower	19	Manchester	fair	16	Rome	sun	17
Athens	fair	12	Bermuda	fair	21	Cologne	sun	18	Glasgow	cloudy	14	Manila	shower	32	S. Frsco	fair	16
Atlanta	fair	18	Bogota	shower	20	Dakar	sun	24	Hamburg	fair	13	Melbourne	fair	18	Seoul	fair	15
B. Aires	fair	26	Bombay	sun	33	Dallas	shower	18	Helsinki	fair	4	Mexico City	shower	25	Singapore	thund	32
B.ham	fair	17	Brussels	sun	18	Delhi	sun	30	Hong Kong	rain	20	Miami	shower	29	Stockholm	shower	10
Bangkok	shower	37	Budapest	sun	6	Dubai	sun	32	Honolulu	fair	28	Milan	sun	18	Strasbourg	fair	20
Barcelona	cloudy	16	C.hagen	fair	11	Dublin	fair	14	Istanbul	rain	8	Montreal	snow	-1	Sydney	fair	23
			Cairo	fair	18	Dubrovnik	sun	13	Jakarta	shower	32	Moscow	fair	2	Tangier	fair	21
			Cape Town	fair	23	Edinburgh	cloudy	13	Jersey	fair	14	Munich	sun	15	Tel Aviv	shower	13
									Karachi	sun	35	Nairobi	thund	27	Tokyo	fair	20
									Kuwait	sun	29	Naples	sun	16	Toronto	snow	0
									L. Angeles	fair	16	Nassau	shower	26	Vancouver	shower	11
									Las Palmas	fair	23	New York	sun	10	Venice	sun	15
									Lima	fair	26	Nice	sun	18	Vienna	sun	12
									Lisbon	fair	23	Nicosia	fair	14	Warsaw	cloudy	8
									London	fair	19	Oslo	cloudy	11	Washington	fair	13
									Luxbourg	fair	18	Paris	sun	20	Wellington	shower	17
									Lyon	sun	19	Perth	sun	29	Winnipeg	fair	-2
									Madeira	shower	20	Prague	sun	13	Zurich	sun	16

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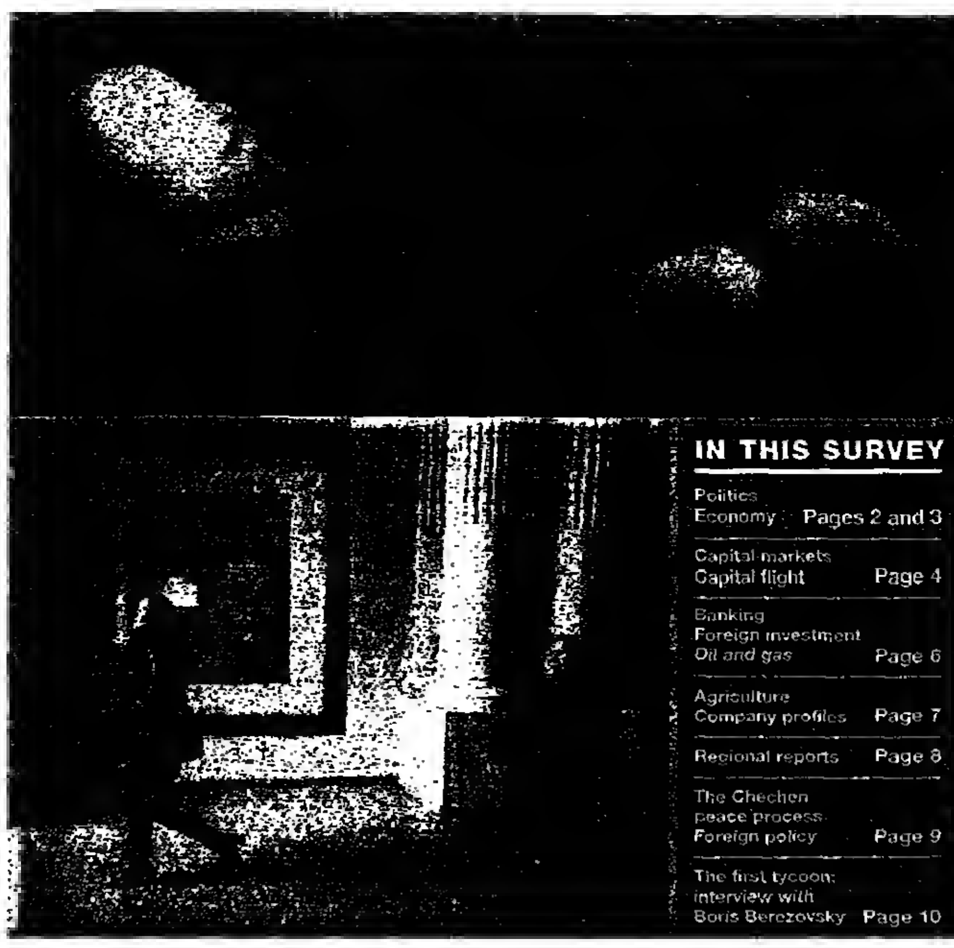
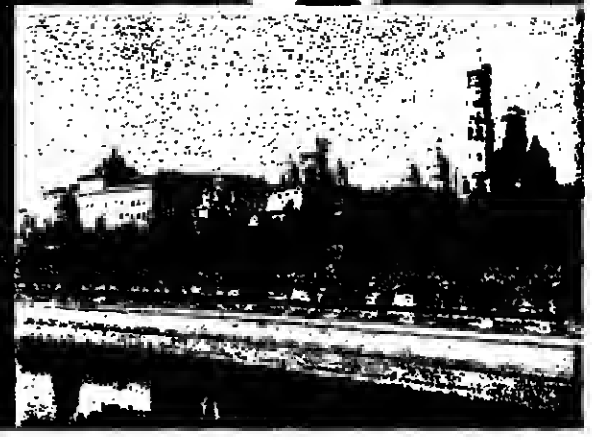
Russia

After many centuries of repressive rule, Russians now have the chance of real freedom. But, says **Chrystia Freeland**, the forces exist that could yet see it squandered

A people on the edge of a precipice





IN THIS SURVEY

Encased in s squat granite mausoleum in ths middls of *Red Square, for more than* six decades the embalmed body of Vladimir Lenin has presided over the empire that, in life, the communist revolutionary founded. This year, st last, the mummy's reign seems at an end.

Revived after his own brush with mortality last year, Mr Boris Yeltsin, the Russian president, has made the sacrilegious proposal thst Lenin's corpse bs entombed next to his family members in s St Petersburg graveyard.

It is sn approprtate moment to bury Lenin. The Bolshevik lsader's funeral would be the final death rite in the passing of orthodox communism, which was laid to rest by Mr Ysltsin in his election victory last year.

For the hardline communists, increasingly marginalised in Russis's fledgling market economy, the 1996 presidential ballot was the last chance for a comeback. They lost, and if they ever return to power it will be only in the watered down guise of social democracy.

The end of the communist era is a glorious moment for Russia. Yet it is also a difficult ooe. It has forced the uation to confront the fundamental questions that were set aside in the struggle to dismantle the old system.

Now that communism is well and truly gone, the main issue is what sort of capitalism Russia will build in its stead. Russians are *starting to ask* themselves whether their country is on course to become an open, liberal market economy along the American or western-European modal, or to follow the bad, inegalitarian, exampla of capitalist Latin America.

"The choice between a market economy and a state monopoly on economic life has been made," explains Mr Igor Maskaev, s deputy governor of Nizhny Novgorod, a central Russian region that has spearheaded many of the country's most important market reforms.

A thoroughly westernised young Russian, who once worked for the World Bank, Mr Maskaev is part of the generation of 20- and 30-year olds who were the most ardent foot-anldiers in the anti-communist revolution.

But as he gazes out of his office window in Nizhny Novgorod's medieval kremlin, the city's ancient seat of local government, Mr Maskaev insists that Russia still has an important decision to make about its future political and economic shape.

"We still face a very great choice betwesn corrupt, monopolist capitalism and open, *fair capitalism,"* he says.

Paradoxically, the threat of what Mr Boris Nemtsov, the governor of Nizhny Novgorod and tha newly appointed first deputy prime minister, calls "mafia capitalism" may be part of the price *Russia is paying* for the defeat of the communists in last year'a election.

Already in the summer of 1995, a year before the presidential ballot, the Russian political establishment was getting nervous about a communist comeback. *The* Chechsn war, which military leaders had promised would be over in 48 hours, hsd dragged on for more than six months. Market reforms had brought three years of belt tightening but the economy *still showed no clear signs of* improvement. Mr Yeltsin's popularity was plummeting and the communists were on tha brink of victory in parliamentary polls.

Afraid it had no political allies, the desperats Yeltsin sdministration decided to create some. The Kremlin's vehicls was the shares-for-loans privstisation scheme, which, over a few months in the sutumn of 1995, transferred controlling stakes in some of Russia's most valuable companies to government insiders at a fraction of their potential worth.

The programme provoked instant and outraged attacks, both at home and sbroad. But it paid dividends at ths *ballot box on* July 3, 1996, when Mr Yeltsin cruised to victory, aided by the vigorous organisational and material support of the *small* group of bankers he had made into billionaires.

It is this Faustian bargain that has provoked the fears of provincial leaders such as Mr Maskaev that Russia may be heading towards a "corrupt, monopolistic" form of capitalism. But even the most high-minded members of the Yeltsin team today defend the scheme as s political necessity.

"I do believe that the *development* of large, *significant* financial-industrial groups was a significant factor behind Yeltsin's success," argues Mr Msxim Boyko, a deputy head of the presidential administration.

Mr Igor Malashenko is even more unequivocal. As president of NTV, Russia's only fully private television station, Mr Malashenko was among the principal archi*tects* and *chief* beneficiaries of last year's deal between big business and the Kremlin. As he explained a few weeks ago over supper at the *Tsar's Hunt*, a lavish haunt of the new Russian élite on the outskirts of Moscow, he is absolutely certain he did the right thing.

"It depended directly on me whether Yeltsin or Zyuganov would be president," he said, referring to the tremendous influence of NTV, which threw itself unreservedly behind Mr Yeltsin's campaign.

"I believed then, as I believe now, that Zyuganov would have been a catastrophe. I had to – how shall I put it? – sell my soul to the devil."

Mr Malashenko must fend for himself, but many observers are hopeful that this spring has brought an opportunity for all of Russia to buy its soul back.

After eight months of illness, Mr Yeltsin has stormed back on to the political stage, vowing to subdue the economic Frankensteins his own sdministration has fashioned. In a state of the nation address last month tbe president promised to cut the "fat" from his government, to attack corruption and to rein in the *mighty natural* monopolies.

Mr Yeltsin followed his pledges with a cabinet shake-up. His two new first deputy prime ministers, Mr Anatoly Chubais and Mr Nemtsov, are among Russia's most respected, and purest, market reformers. Their appointment, and an early raft of measures aimed at cutting the perks the Kremlin gave to its business friends, have convinced many observers that Russia now bas a precious opportunity to follow eastern Europe into the western political and economic system.

One optimist is Mr Yegor Gaidar, who, as Mr Yeltsin's first prime minister, was the first reformer to wade into the Augean stables of the Soviet economy.

Mr Gaidar is no Pollyanna. He is worried that "tha oligarchical development is a serious threat for the stabilisation of democracy in Russis". And while the most powerful intellect behind Russia's *capitalist* evolution is confident that "markets and private property are generally quite clearly established", he is quick to add a caveat – "but, of *course*, the struggle about the features of this market economy is very, very crucial and it will not be an easy process".

Yet Mr Gaidar believes that Russia today has been granted a chance of redemption: "My feeling is that there is a substantial chance, probsbly the best since 1993, that the government will be successful. At the end of 1998 and tbe beginning of 1999, there will be a light at the end of tbe tunnel – we will be like Poland at the end of 1992."

It could take longer, *maybe a generation or more*, before the country answers the second big question it faces: wbat sort of s society will Russia become?

Historically subject to the almost unbroken rule of absolute monarchs or dictatorial Bolsheviks, Russia has never hsd the chance to develop a society based on the rule of law, enforceable contracts and inviolable *individual rights*. Todsy – liberated from the autocrats' whip but with little tradition of civil society – Russia has devolved into an anarchic *melée where might is right* and in which an endemically corrupt bureaucracy acts more often as a player than as a referee.

Even the country's most progressive citizens feel only a weak obligation to abide by the law. Consider, for example, a recent conversatioo between a group of gov*ernment officials and private* businessmen in one of Russia's most prosperous regional centres.

When the talk turned to taxation, Volodya, founder of a thriving local chocolate factory, demanded anonymity and tben bappily explained: "I bave an award from the local tax police for prompt payment but I pay less than 30 per cent of all of the taxes for which I should be liable. The laws are badly written, and my accountants – whom I pay very well – are clever."

As Volodya outlined bis fsvourite tax dodges, a local government official nodded in agreement, explaining, "the tax system is so terrible, if he paid all of tbe applicable taxes be would go out of business".

The bureaucrat's concern for local business is laudable. Yet it is this sort of conversation, repeated millions of times by provincial

Continued on back page

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POLITICS • by John Thornhill

Liberal but not yet free

Democracy creates as many problems for the government as it solves

A little ovar a year ago, Mr Yegor Gaidar, Russia's former prime minister, sat down to write his memoirs. As he noted himself, it was unusual for a 40-year-old man to start reflecting on his lifetime's achievements. But, like many other liberals, Mr Gaidar feared that he might be imprisoned if the communists were returned to power. And, as the economist who launched Russia's market reforms in 1992, he wanted to record his experiences for the benefit of those who would inherit the economic mess he believed inevitable under communism.

As spring blooms in Russia this year, Mr Gaidar's dark forebodings appear to date from another age, highlighting how much the political mood has changed over the past 12 mooths.

President Boris Yeltsin's remarkable re-election last July by a clear 14 percentage points turned back the resurgent Red Tide and bought Russia's market reformers another four years of life.

In his state-of-the nation address last month, Mr Yeltsin vowed to fulfil his election promises to overturn centuries of Russian political practice and turn the state into the servant rather than the master of the people.

"We are gradually becoming accustomed to the thought that order based on the strength of law, and not oo fear, not on arbitrariness of power, is possible," he said.

Mr Yeltsin's appointmeot of a clutch of young, liberal ministers to senior government positions last month suggested be is determined to complete the reform programme he has so fitfully pursued since 1992.

Rnssia's battle-scarred president promises further liheralisation of the economy, the entrenchment of democratic institutions and the strengthening of the judicial system to secure property rights and individual freedoms.

As a result, it has become fashionable to argue tbat Russian politics has now stabilised, that democracy has prevailed and that Russia is rapidly turning into a "normal" country.

Mr Peter Shulze, director of the Moscow office of the Friedrich Ebert Stiftung, the German think tank, suggests there is much in this argument.

"The transition period is over, at least in the political field," he says. "We have had two presidential elections in accordance with international standards. We have had two parliamentary elections and a series of regional elections which also fulfilled the same standards.

"At all levels, we now have real, democratically elected bodies which are performing their constitutional functions."

That perception has been most emphatically noted in the financial markets. Assessments of Russian risk have diminisbed, enabling the country to launch its first sovereign international debt offering since the 1917 Bolshevik revolution.

But, ironically, democracy may prove a far more complex system of government than the authoritarianism to which Russia was accustomed in the past. The struggles betweeo different branches of executive power and the legislature could intensify as Russia tests the limits of its constitution.

Russia's parliament, which is dominated by communists and nationalists, is likely to step up its opposition to the government given the return of the unpopular Mr Anatoly Chubais as first deputy prime minister and the promise of further radical economic reforms.

Uoder the 1993 constitution, the lower bouse of Russia'a parliament, the Duma, has more negative powers than positive ones, heing able to block rather than initiate legislation. It also has the right to reject the appointment of a prime minister and to pass a "no confidence" vote against the government, forcing the president to choose between changing his cabinet and dissolving parliament.

Rutskoi: Yeltsin foe and democratically elected regional governor

It would seem likely, therefore, that Mr Yeltsin, fearing fresh elections at a time when the government is unpopular for failing to pay wages and pensions on time, will shrink from a confrontation with parliament in the near future.

On the other hand, be knows full well it is not in the interests of the current parliamentary leaders to contest new elections. Only four of the 43 parties that participated in the December 1995 elections won more than 5 per cent of the vote, qualifying them for a share of the seats distributed by proportional representation.

The odds are that parties in the future would avoid repeating such suicidal fragmentation, prodncing a broader distribution of parliamentary seats and diluting the communist grip on the Duma.

In short, the lower house of parliameot is likely to cootinue its policy of frustrating the government's initiatives rather than seeking an outright confrontation.

Arguably, the greater source of potential political instability could be relations between the federal centre and Russia's 89 regional governments. Over the past year, the regional leaders, originally appointed by Mr Yeltsin, have had to seek re-election in the first freely contested local elections in the country's history.

From the Kremlin's perspective, the results have beeo mixed. In the most recent elections, only 23 of the 50 regiooal governors appointed by Mr Yeltsin were returned to office, while some strident opposition figures emerged victorious.

For example, Mr Alexander Rutskol, the former vice-presideot wbo led an armed uprising against Mr Yeltsin in 1993, was elected governor of Kursk province last October.

These democratically elected regional governors, wbo sit in the upper bouse of parliament, could act as a powerful brake oo reforms.

Russia's stability may also be endangered by tbe encroachment of corporate power lo the political domain. Some political observers argue the ambitions of the banks, which backed Mr Yeltsin's campaign, must be checked if a truly pluralistic democracy is to emerge.

"Markets and private property are quite clearly established in Russia," says Mr Gaidar. "Bot democracy is not yet established."

ECONOMY • by Martin Wolf

Transformations take a lot longer

Reforms have tackled the effects of the malaise rather than its cause. What the Yeltsin administration needs to do next

With his "state of the federation" address on March 6, Boris Yaltsin announced to the world both his own recovery and his decision to launch a renewed effort at reform. This was not before time. The economy needs urgent attention.

The president's speech summarised admirably the current economic position: "Yes, the growth of prices has slowed down, but wa have not managed to stop tha decline of production and to ensure an inflow of investments. Society sees its faith in the ability of the aothorities to stop the onslaught of crime undermined.

"It is increasingly difficult to provide the bare necessities for the armed forces. The living standard of the majority of Russian citizens, already low, is going down. People suffer from delays in wages, pensions and allowances."

This picture may be depressing, but it is realistic. Tight monetary control has brought consumer price inflation down, from 2,500 per cent in tbe year to December 1992 to 20 per cent in the year to January 1997. Since 1995, however, the squeeze on liquidity has increased already substantial enterprise arrears on taxes, wages and payments dne to suppliers.

The budget deficit, on the International Monetary Fund's definition, was kept down to 7.7 per cent of gross domestic product in 1996. But, because of the shortfall in receipts, the federal government achieved this by failing to pay its own obligations, with spending totalling just 81 per cent of budgeted levels.

Official statistics suggest that real wages recovered last year but they were still 50 per cent below their level in 1990. Even the recovery in 1996 does not take account of wage arrears, which were one month's pay by the end of the year. As for gross domestic product, it stabilised in the second half of last year, but only after falling by more than 40 per cent since 1990.

True, unemployment, on the International Labour Organisation's definition, seems modest at only 9.3 per cent in 1996 but it has doubled since 1992. More importantly, the increase looks startlingly small against the decline in output. Unemployment seems certain to rise much further.

Fragile stabilisation amid a deep depression – these seem to be the bitter fruits of the past five years of inconsistent efforts at reform. The picture is accurste so far as it goes but it is also incomplete. In the background, much has changed.

Non-state industrial enterprises already accounted for 89 per cent of industrial output and 82 per cent of industrial employment at the beginning of 1996, although the share of the "true" private sector (limited to companies that are majority owned by private entities) is lower – perhaps 60 per cent, according to the European Bank for Reconstruction and Development. By mid-1996, more than 100,000 state-owned small businesses had been transferred to private hands, where they joined approximately 1m registered new small businesses.

Financial markets have developed rapidly, particularly the stock exchange and the market for government securities. The value of outstanding treasury bills and bonds jumped from less than 2 per cent of GDP to close to 9 per cent between the beginning of 1995 and the end of 1996. Russia is also well stocked – indeed overstocked – with banks: some 2,100, down from 2,600 a year ago, with a further 400-500 expected to disappear soon.

Still more important is the liberalisation of markets. Only basic necessities and a restricted list of producer goods and services remain subject to federal price controls, although direct and indirect price controls are widespread at the local level. Oil prices, in particular, have been set free.

Moreover, Russian producers are exposed to the harsh winds of international competition for the first time since 1914. The weighted average import duty has been only 13-14 per cent since 1995; export quotas have been eliminated; and the rouble is fully convertible on current account.

> A visible economic turnround might start as soon as this year

These are huge structural changes. Combined with the modest rate of inflation, they ought to secure the long-awaited turnround in production. What has been missing is confidence – inevitably so given the election of a communist president seemed probable.

With the re-election of President Yeltsin last July, confidence has become palpably stronger. The stock market has risen 60 per cent since the beginning of this year, to 300 per cent above its level in early 1996.

As importantly, the annualised yield on six-month non-taxable government securities fell from a peak of 200 per cent last May to 30 per cent in January 1997. Similarly, annualised real interest rates have fallen from 166 per cent to less than 10 per cent in January of this year.

Furthermore, growing confidence in price stability is creating a promising new opportunity to support economic expansion. This is remonetisation of the economy, which has suffered an inflation-driven collapse in the ratio of liquid assets to GDP, from 100 per cent in 1990 to a little over 20 per cent at the end of last year.

If the exchange rate regime were shifted from targeting the real exchange rate to targeting the nominal exchange rate, it would be possible to abandon targets for domestic asset expansion. Domestic bank credit and money could then expand freely, subject to the exchange rate constraint.

With such improvements in economic conditions, a visible economic turnround might start as soon as this year. But one last big effort is needed if that recovery is to be strong and long-lasting. Russia must complete two closely related tasks: enduring stabilisation and establishment of a liberal market economy.

Neither will be easy but the new reforming government offers an excellent opportunity, certainly Mr Yeltsin's last. With Mr Anatoly Chubais, Mr Yeltsin's campaign manager and chief of staff, and Mr Boris Nemtsov, governor of Nizhny Novgorod, both well-known reformers, as first deputy prime ministers, it is, according to Mr Yegor Gaidar, the architect of the first reforms in Russia, the "most pro-reform since 1992". By

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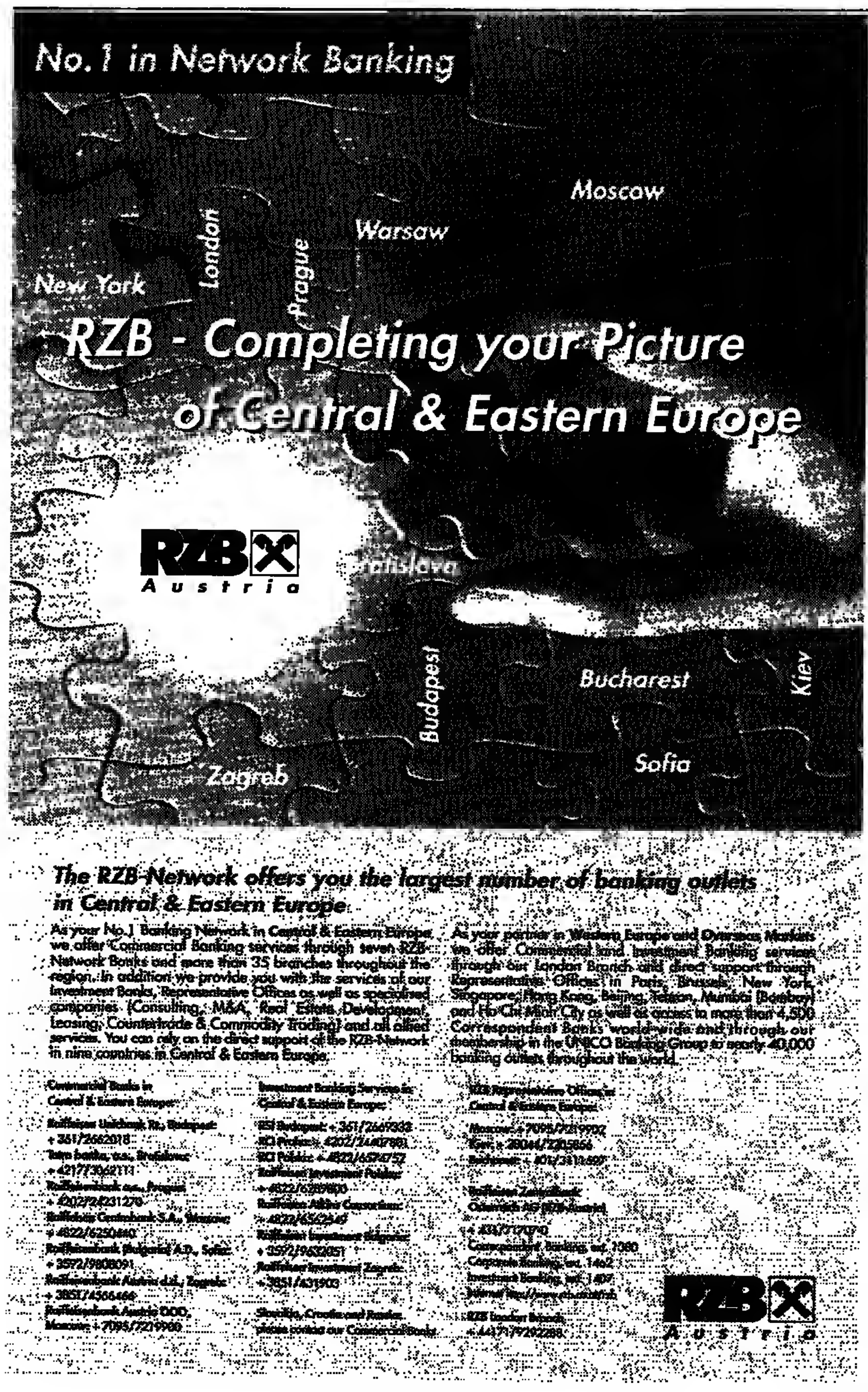

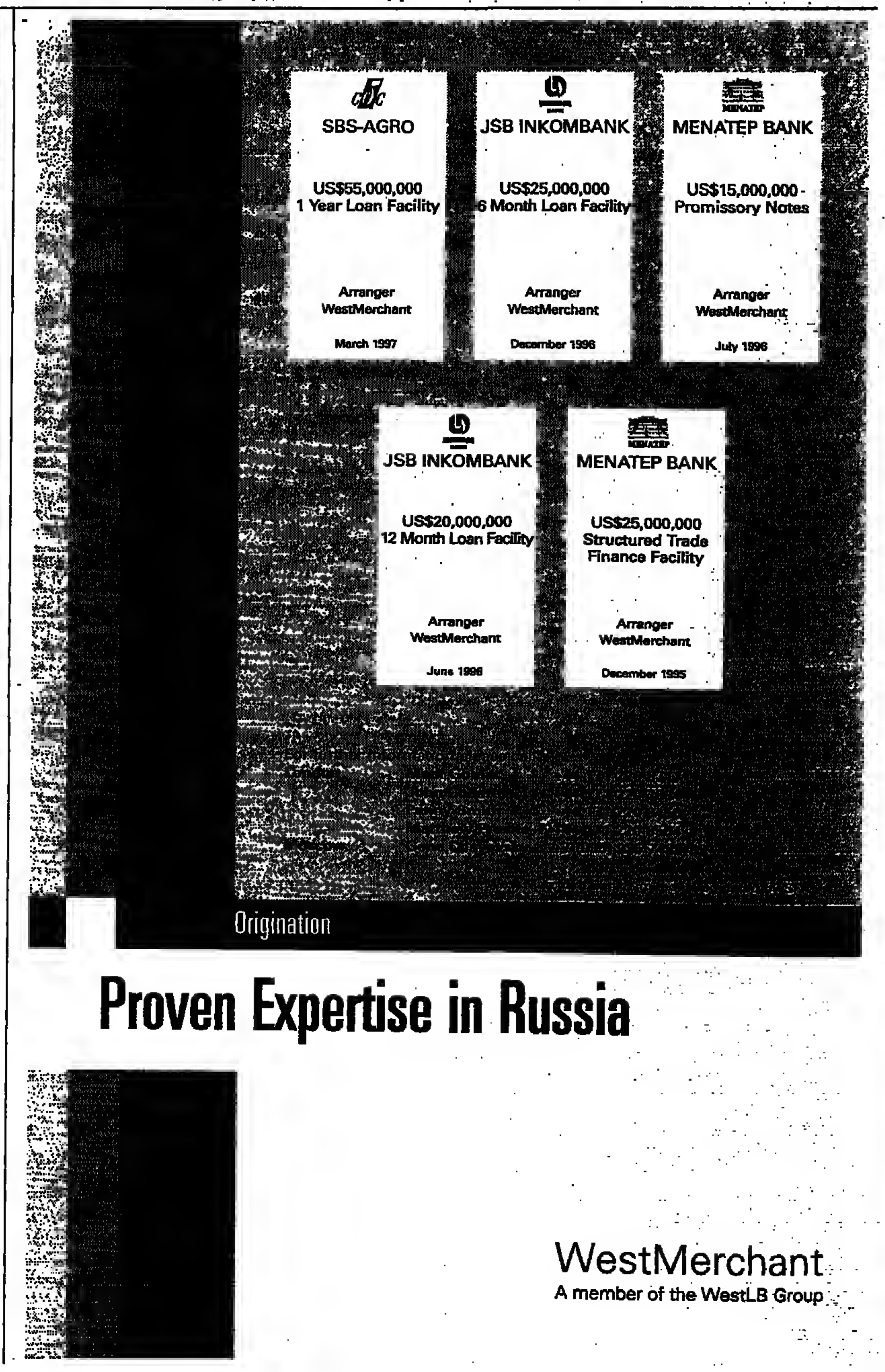

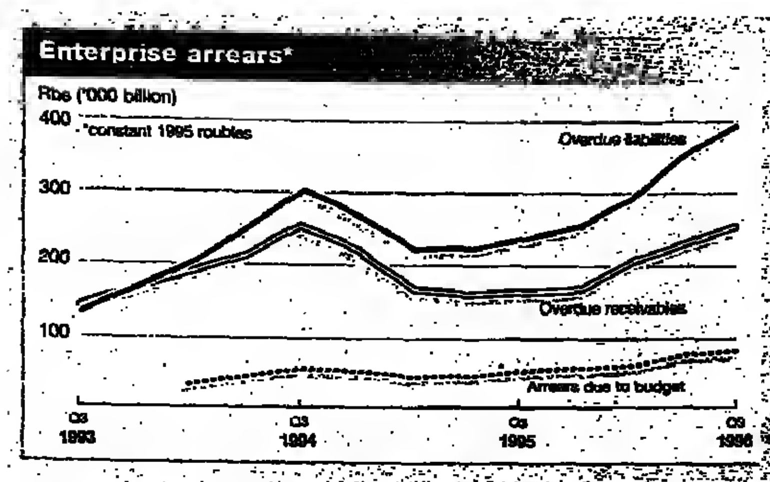

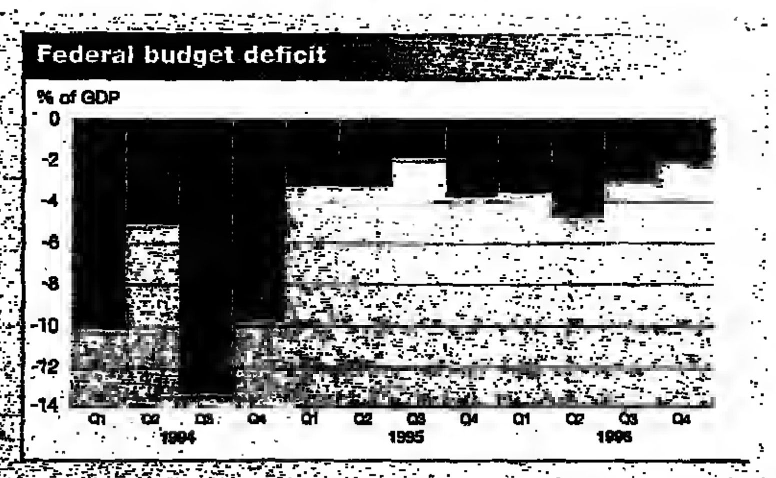

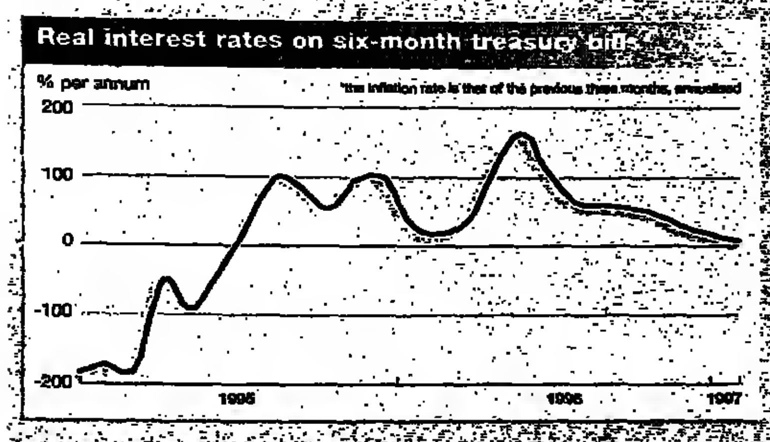

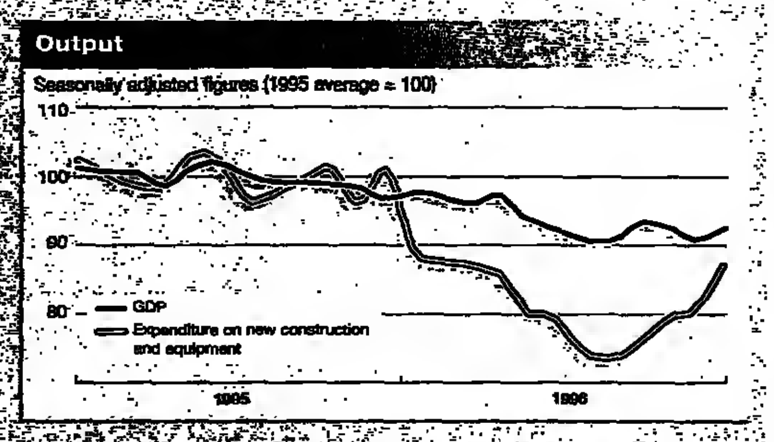

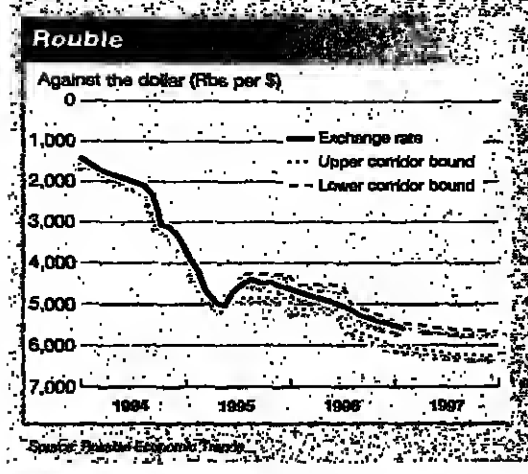

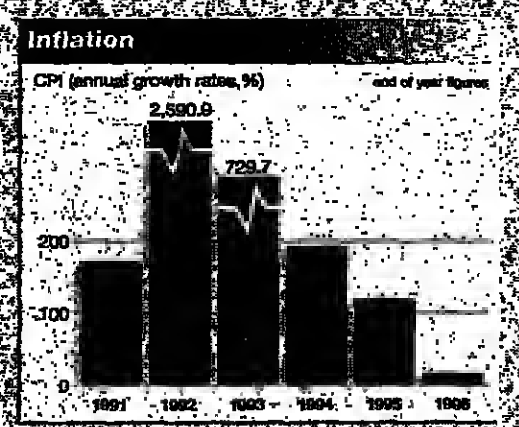

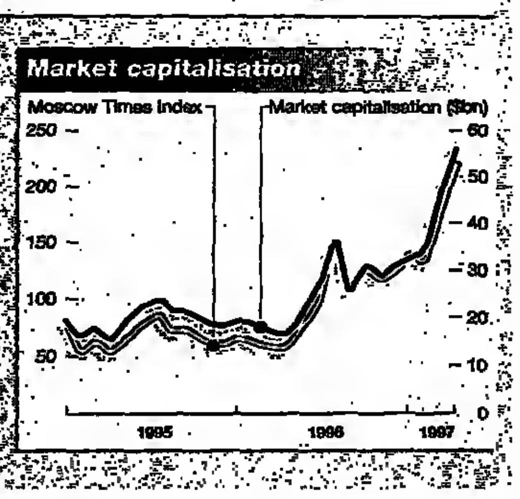

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the end of next year, he argues, "Russia could see the light at the end of the tunnel".

In his speech of March 6, the president stated his desire to bequeath to his successor, due to take over in 2000, "a country with a dynamically growing economy [and] an effective and just system of social protection". To achieve this, his government will focus on the budgetary crisis and tax reform, regulation of natural monopolies, pensions and housing, the military and government administration.

The most pressing concern is the fiscal position. The budget is unrealistic, tax arrears are pervasive and the tax system irrational and arbitrarily administered. Failure to pay the government's spending obligations has become habitual, while the misappropriation of funds is commonplace.

Any attempt at financial discipline is made difficult by the collapse in general government revenue that has occurred throughout the former Soviet Union. In 1992, revenue amounted to 44.2 per cent of gross domestic product. But this was down to 29 per cent of GDP by the first half of last year. As a result, even a noteworthy effort to control spending, down from 65.8 per cent of GDP in 1992, to 36.7 per cent in tha first half of last year, was inadequate.

The federal government has heen particularly sqneezed. Since 1992, its share in total government revenue has fallen from 63.5 per cent of GDP to 49.5 per cent. Last year, its revennes were down to only 12.4 per cent of GDP, too low to meet even its minimum obligations. This year's hudget calls for federal revenues of 15.9 per cent of GDP, hut this is most unlikely to he achieved. As a result, continued failure to pay employees and pensioners is certain.

If these ills remain unremedied, it will be impossible to maintain low inflation in the long run, given the limits on the government's ability to borrow, or satisfy the expectations of the citizenry. The new team will have to push a realistic budget through parliament for next year, create a less corrupt and more effective fiscal administration and undertake fundamental tax reform.

Because privatisation preceded structural reform, it is now necessary either to hreak up monopolies or impose more effective regulation. The electricity industry must be restructured, not least by creating a wholesale market that would permit competition among generators. Unfortunately, the power of some enterprises, ahove all Gazprom, the world's biggest producer of gas, is such that it will be next to impossible to create effective competition everywhere.

The new team will also have to turn its attention to social issues. Pensioners have been among the most vulnerable victims of the government'a failure to pay its obligations. This can only be rectified if the fiscal house is put in order. In the longer term, however, the government needs to promote private provision.

Housing subsidies account for 4 per cent of GDP, but disproportionately benefit occupants of relatively large urban flats. Rents must at least cover operating costs, with subsidies targeted on the poor. Administrative efficiency should also be improved hy separating the organisations providing maintenance from those responsible for administration.

The war in Chechnya, which revealed an ill-disciplined and poorly equipped armed force, demonstrated the urgency of military reform. It will he important to introdnce competitive procurement and cut the 270,000 "dead souls", or non-existent personnel, from the list of servicemen. Professionalisation of the armed forces is a longer-term aim, however, and one that requires a stronger budgetary position than exists today.

A well paid, honest and effective public administration is essential. This will take a generatioo hut, as the president noted in his speech, improvements must start now.

Of the desirability of such a programme there can be little question. The big question is whether the government can implemeot it. The obvious opponents of these reforms are the people at large, the elected regional governors and the industrialists and hankers, all of whom will lose something – social benefits, power or money. But the true obstacle is Russia itself.

A stark vision is contained in a paper by Mr Grigory Yavlinsky, leader of the reformist Yabloko block in the Duma, and an associate.* Their fundamental point is that the Russian economy is the linear descendant of the Soviet one.

Towards the end of the Soviet regime, state control over enterprise managers collapsed. In its place grew close and mutually supportive relations between tbese managers and the underground entrepreoeurs who helped them to evade tbe state plan and profit from the opportunities created by their positions.

The new wealthy still behave more as plunderers than as owners

These networks form the core of the new ecooomy. Mr Boris Berezovsky, one of the powerful new Russian entrepreneurs and deputy head of the security council, remarks that the newly wealthy Russians started hy privatising the profits of enterprises and then by privatising their assets. Inevitably, this privatisation amounts to the legitimation of theft.

The redistributioo of wealth from the Rnssian state to a fortunate and ruthless few is unprecedented in scale. It also remains insecure. As a result, the newly wealthy still behave more as plunderers than as owners.


Seeing light at the end of the tunnel: father of reform, Gaidar

Deutsche Morgan Grenfell estimates that capital flight last year was $22.3bn – 5 per cent of GDP. With Russians still so worried, it is bardly surprising that capital flight exceeded foreign direct investment in Russia by a ratio of 10 to one.

The wealthy and powerful also accept little responsibility for tbeir debts. A total of 73 large Russian enterprises accounts for 40 per cent of total tax arrears. If the powerful – including even the mighty Gazprom – feel exempt from the law, it is hardly surprising tbat almost everyone else does.

One coosequence of this iodifference to obligations is rapid growth in arrears on wages and ioter-enterprise debts whenever the mooetary spigot is, as now, turned off. Barter trade – much of which escapes taxes – accounts for up to 40 per cent of all inter-enterprise transactions. With this going on, it is little wonder that so much of government is corrupted and so much of society criminalised.

It is easy to draw up hlueprints for Russian reform. It is easy, too, to envisage rapid growth in an economy with such vast resources. The barrier remains Russia itself. The needed transformation of state, society and people is profound. If Mr Yeltsin sticks with his new governmeot, it should take another step along this road hut it will he long, hard, and heset with danger.

* *Serguey Braguinsky ond Grigory Yovlinsky, A Positive Approach to the Design of Russian Transition, Stanford University Press, forthcoming.*

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CAPITAL MARKETS • by John Thornhill

Economic reform crucial

Improvement of corporate governance is a principal concern for investors

Three years after their creation, Russia's fast-moving capital markets blipped up on the radar screens of the world's fund managers last year.

Investor interest was excited by sovereign Russia's first international debt offering since the 1917 Bolshevik revolution, a successful $429m share placement for the giant Gazprom gas monopoly, and the listing of the first Russian company on the New York Stock Exchange.

As a result, Russian equities rose 155 per cent in dollar terms last year and have shot up a further 60 per cent this year.

But the battle over economic reform this year is likely to determine whether Russia continues flying high as one of the world's most promising emerging markets or is dismissed as a freakish unidentified flying object.

Market analysts say Russian shares have recently been driven higher more by extraneous factors than by any stellar prospects for earnings growth in the immediate future. Russia's inclusion in the benchmark market indices of both the International Finance Corporation and Morgan Stanley has left fund managers scrambling for stock as a great liquidity wave continues to wash around the globe.

But fund managers appear to need fresh evidence of earnings improvements and dividend payments before they push the market to new heights.

"The stock market has been revalued to reflect current realities but investors will only take the next step when Russia produces growth in its economy and its big corporations are restructured," says Mr Boris Jordan, head of Renaissance Capital, a Moscow-based investment bank.

Mr Jordan suggests that the most important concern for investors is seeing improvements in Russie's rickety corporate governance regime and the drawing of a clear distinction between the responsibilities and rights of owners and managers.

Seventy four years of communism, a fast and dirty privatisation programme, corrupt administration, and e weak judicial system have resulted in ill-defined concepts of what ownership really means. In such an uncertain climate, domestic and foreign strategic investors are hesitant to commit the substantial sums needed to turn the Russian economy around.

The country's poor corporate governance regime has recently been highlighted by the struggle for control at Novolipetsk Metallurgical Kombinat, one of Russia's biggest steel prodncers, where Russian and foreign shareholders, speaking for 40 per cent of the company's shares, have been unable to appoint outside directors to the board.

Mr Joseph Blasi, a professor at Rutgers University in the US, who has studied ownership patterns among the country's 100 biggest companies, says scores of similar struggles are being waged across the country.

"The Novolipetsk situation is the norm rather than some marginalised exception. Every one of the companies we studied is experiencing some kind of serious shareholder tension," he says.

The government has recognised the problem and is beginning to consider how to entrench shareholder rights more effectively. A legal framework was established last year with the adoption of two laws, on the securities market and joint stock companies. But market participants say the government has yet to prove it has the political will to enforce these laws with the necessary vigour.

Mr Dmitry Vasiliev, head of the Federal Securities Commission, the industry regulator, suggests that the battle between company insiders and ontsiders for control of assets is the inevitable consequence of the country's privatisation programme.

In view of the hostility to privatisation expressed by the Soviet-era "red directors" who ran the country's biggest companies, the government was initially forced to give control of Russian companies to insiders to ensure privatisation happened at all. In effect, the governmant had to bribe Soviet-era enterprise managers to privatise their companies.

But Mr Vasiliev says the development of an open, competitive market will ensure that assets are distributed to those best able to use them. He believes that outside shareholders have already won control of one-quarter of Russian enterprises and that a fierce battle is raging between insiders and outsiders at the remaining companies.

"For this reason, we are at the peak of the struggle between insiders and outsiders. This, of course, creates grounds for various violations of the rights of shareholders," he says.

The latest reshuffle in the government, which has brought a clutch of young reformers to the fore, is e hopeful sign that the battlefield might be tilted towards outside shareholders.

Mr Sergei Vasiliev, e senior government official, says the thrust of economic reform will now shift from the macro-economic level to the micro-economic level, encouraging enterprise restructuring.

According to Mr Vasiliev, a draft law is in the offing that would strengthen the rights of shareholders, giving them greater control over the management of enterprises and ensuring financial transparency. "Potential investors do not know the real situation at companies – even the management does not necessarily know," he says. "We are talking about putting in place e system of legal protection of the rights of shareholders. That would require an improvement in the workings of the arbitration court and the system of executing court rulings."

Bnt in addition to the promise of greater government activism, investors can take comfort from the increasing appreciation of Russian managers of their financial self-interest.

Some company managers, with sizeable personal shareholdings, appear to have realised that they can make far more money ploughing cash back into their businesses and raising their stock market value than by diverting assets through backdoor expropriations.

The stock market has conspicuously rewarded those companies, such as the Lukoil oil group and the Mosenergo electricity generator, which hava been the most progressive in responding to ehareholders' demands for greater openness.

At almost $10bn, the market capitalisation of Lukoil far outstrips that of Surgutneftegaz, which boasts comparable assets and management but is deemed less receptive to foreign investors.

Mr Boris Fyodorov, the former finance minister who now beads the UFG investment bank, says Russia's rapidly-developing capital markets offer one of the best reasons to believe in the ultimate success of economic reform.

"Once a company becomes really private and proper management exists, tbey immediately understand the value of the capital markets," he says.

Mr Fyodorov says more companies are appreciating that the cheapest source of financing is foreign capital. But to attract that money they need to appoint auditors and present internationally-acceptable accounts.

Yet with a total market value of $50bn, Russian companies are still valued at "ridiculously low" levels, he says.

"The market will grow dozens of times in the very near future once the division of spoils has been completed," Mr Fyodorov says. "You cannot lose on the Russian capital markets, unless we have a revolution."

Field of dreams? Oil company Lukoil has a market cap of $10bn

The wealth that won't stay home

The problem of capital flight reveals much about the state of the nation

The balance of payments is a window into an economy's soul. In Russia's case it reveals a country to which its citizens feel little commitment and in whose safety they have little confidence.

The London-based Economist Intelligence Unit estimates capital flight from Russia at US$60.9bn over the five years 1992 to 1996. The Washington-based Institute for International Finance estimates the sum of "net lending abroad" and "errors and omissions" at $10.7bn in 1992, $10.3bn in 1993, $10.6bn in 1994, $3.8bn in 1995 and $38.5bn in 1996, for a total of $73.9bn.

Meanwhile, the World Bank estimates the "unexplained residual" at $88.7bn since the beginning of 1992.

Since capital flight can only be measured as a residual, such estimates cannot be more accurate than those for other components of the balance of payments. In Russia's case, the most uncertain component is imports, a substantial proportion of which are not declared. The bigger the upward adjustment made for imports, the smaller the residual to be explained by capital flight.

However uncertain estimates of capital flight may be, it is unquestionably huge; total capital flight seems to be larger than Russia's known external borrowing of $57bn between 1992 and 1996; and it is four times as large as borrowing from the international financial institutions. Thus, while Russians have been selling their country short, foreigners have been taking the long position.

What is the significance of this flood of wealth from Russia? And what can be done about it?

Directly, capital flight is a loss of investible resources: in 1996, for example, flight capital appears to represent 5 per cent of GDP and perhaps a third of private savings. Indirectly, it reveals both the corruption of the wealthy and their lack of confidence in their government. Moreover, as long as Russians are unwilling to keep wealth at home, foreigners will refuse to make substantial long-term fixed investments in the country.

A part of the flight capital consists not of export of capital but of purchases of dollar notes, which have served the classic functions of money as a store of value and means of payment far better than the raddled rouble.

The search for greater safety is always an important motive for capital flight. Others include tax evasion and concealment of the fruits of illegal activities, from corruption to smuggling and organised domestic crime.

Credibly low inflation is itself a partial remedy, since holders of dollars will start to exchange them for roubles as soon as the domestic currency's value looks secure. The result of this shift will either be appreciation of the rouble or accumulation of official reserves. Which it is to be depends on the response of the central bank.

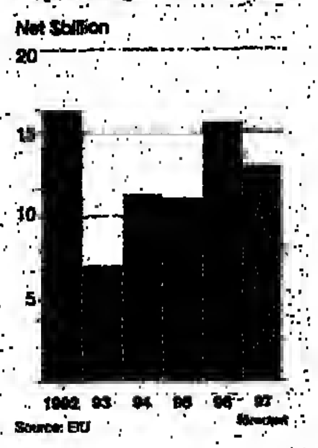
The wider solution is radical reform that both reduces the incentive for capital flight and raises its cost. This will be very difficult. True, Mr Boris Berezovsky, one of the newly wealthy Russian businessmen, argues that his peers "are now looking for the future not in the Bahamas, but in Russia". Yet even if the rich have a collective interest in ensuring that the best place to put their money is at home, their individual interest could be to go on behaving just as before.

The challenge to the government is to transform the environment in which the wealthy operate. The question is whether it possesses the capacity and the will to do so.

Martin Wolf

Capital flight from Russia

Net $billion



VNESHECONOMBANK
The Bank for Foreign Economic Affairs

Type of bank: specialized state bank.

In 1924, the Short-term Credit Banking Company was restructured to a specialized institution, intended for the banking services of the foreign economic relations of the USSR. It was given the name of the Bank for foreign Trade of the USSR (Vneshtorgbank). In the course of the banking reform of 1988 Vneshtorgbank of the USSR was renamed as The Bank for Foreign Economic Affairs (Vnesheconombank).

According to the Decree of the President of the Russian Federation that was issued in December, 1993, Vnesheconombank is a specialized state bank, that provides the centralized foreign economic operations, external debt servicing, issuance of loans and guarantees in the name of the Government of the Russian Federation.

Chairman	**Kostin A.L.**
First Deputy Chairman	**Alibegov T.I.**
Deputy Chairmen	Turkadze A.V.
	Ulchenko M.G.

Balance of Vnesheconombank as of January 1, 1996.

	(mln roubles)
Assets	455749638.2
Liabilities	453895752.9
Total liabilities and equity (capital)	455749638.2

Representative offices of Vnesheconombank abroad

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China-	6A, 35 Dongzhimenw Main Street, 100027, Beijing, China Fax: 10 467-7079, 532-4853
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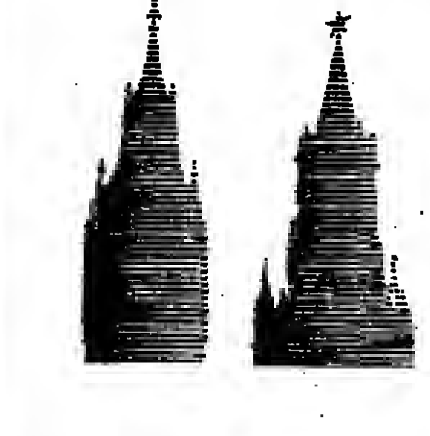

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BANKING • by Matthew Kaminski

The hard road to 'civilisation'

The evolution of a western-style system puts the country's banks under pressure

Some of the more flamboyant Russian entrepreneurs who have made their fortunes in the past five years started out by pooling together a few thousand dollars and opening a bank.

Life was easy. A spiralling rouble made currency exchange operations quite lucrative. Then, when the inflation rate came down, the Kremlin sold them its debt at dizzyingly high interest rates and gave away some of Russia's best assets for a pittance.

Now comes the hard part. The evolution of a market economy in Russia brings doubts about whether the country's 2,000-plus banks can adapt and survive in an environment with narrowing margins and a higher premium on professionalism.

Some are already dividing up their businesses. Oneximbank, the largest commercial bank, has spun off its investment banking arm.

Others are following by strengthening their project finance businesses as interest rates on government treasury bills creep down from more than 200 per cent before last June's presidential election to around 35 per cent now.

Some of the men who founded the banks are leaving their management in others' hands to pursue the businesses that resulted from diversification.

Mr Mikhail Khodorkovsky, a young Communist Youth League activist who founded Menatep bank, has moved on to the daunting task of running Yukos, Russia's third-largest oil company that Menatep acquired for $580m in 1995 through a controversial "shares for loans" privatisation scheme.

The volable head of the Most Group, Mr Vladimir Gusinsky, now concentrates his energies on the company's expanding entertainment business.

As with other Russian companies, the better-managed banks are beginning to realise the cheapest capital can be borrowed abroad, and are becoming more aware of the need for a clean reputation.

"We're taking steps to create civilised banking in an uncivilised society," asserts Mr Vitaly Malkin, president of Bank Rossisky Credit which itself has a licence entitling it to trade gold and plans to set up a commodities exchange.

"The banks are maturing. They've got to pick their niche and work on that," says Mr James Kilzer, a banking specialist at Price Waterhouse in Moscow. "Given the state of the economy, all the niches are available."

It may be a while, though, before many of the young private financial groups decide where their future lies.

"Right now, there is only one real bank in Russia, only one. That's Sberbank," says Mr Grigory Yavlinsky, a liberal Russian politician. "All the others are just financial companies that reshuffle the government's money."

Mr Yavlinksky may not be far off the mark. Sberbank, the behemoth state savings bank where both ordinary depositors and the Russian government keep most of their money, overshadows the others. Its assets of $25.7bn are six times its nearest competitor's and account for a quarter of all assets in Russia's banking sector, very small by western standards.

Yet Sberbank's infamously poor reputation for customer service has attracted competitors for retail business. Alfa and Most have begun developing a branch network.

Stolichny last year made a surprisingly aggressive and possibly risky move by acquiring Agroprom, a bankrupt state bank and its 1,200 branches – the second largest network in Russia.

The bank developed an expensive computer network offering Russian depositors the latest electronic banking services to entice them away from Sberbank or persuade them to open savings accounts.

"My banking friends think I am crazy," says Mr Alexander Smolensky, chairman of Stolichny. "Maybe they're right. But I have 2.5m depositors now. There should be 10m by 2000. It's an empty market."

The lack of public trust, however, may dog private banks for a while. Russians' dislike for Sberbank's Soviet-style ways often gets mitigated by their firm knowledge that the bank will not fail.

Judged by their painful experiences with the bankrupt MMM pyramid scheme three years ago, the same cannot be said for the new private financial institutions.

The sector has started gradually to shrink as the larger swallow the smaller and the weak die off. But not many analysts are raising alarms bells that a banking crisis looks imminent.

The government's banking supervision policies are not designed to force quick consolidation. Much fraud goes unnoticed, analysts believe.

The minimum capital requirement for Russian banks remains just $57,500 according to Mr Sergei Aleksashenko, deputy governor of the central bank. Latvia, the small Baltic state, next year will raise its minimum from $2m to $4m.

But, says Mr Aleksashenko, around 500 banks disappeared last year, and the bank envisages another 400 may be liquidated in the next 18 months.

The banks would take a stronger hit from the end of indirect subsidies. The Kremlin now has more than Rbs34,000bn ($5.9bn) in state funds at the top 15 banks, helping their liquidity.

As the pressure on the government to cut down on the number of banks allowed to hold money grows, analysts predict more commercial banks will be forced actually to earn their profits and start providing capital for Russia's investment-starved economy.

Top 20 Russian banks, by assets

All figures $m

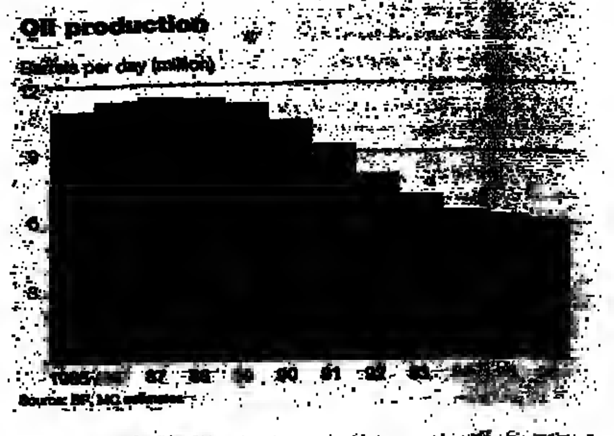
	Assets	Capital	Profits	Deposits
Sberbank of Russia	25,746.9	2,417.4	1,654.8	20,294.9
Vneshtorgbank	4,153.3	1,122.5	376.5	-
ONEXIM bank	2,701.8	366.1	23.2	1,613.8
Incombank	2,656.3	365.2	110.5	1,888
Agroprombank	2,051.0	-	-	-
Menatep	1,653.3	177.8	23.7	1,354.7
Rossisky Credit	1,766.1	218.4	52.5	598.3
Stolichny Bank of Savings	1,557.6	257.4	4.2	539.7
National Reserve Bank	1,530.8	581.8	220.7	1,462
Imperial	1,444.3	274.4	57.6	625.1
Mosbusinessbank	1,398.4	174.4	65.2	789.6
MFK	1,263.0	370.6	104.5	436.4
MezhkomBank	1,261.2	251.8	48.3	852.5
Tokobank	1,153.7	307	32.9	407.2
Promstroybank	1,120.5	160.5	38.7	743.5
Avtobank	986.5	239.5	135.9	317.4
Most-bank	902.8	105.7	11.1	[illegible]
Vozrozhdenie	797.8	138.7	22.6	476.2
Mezhprombank	635.3	119.4	38.2	[illegible]
Promstroibank St.Pt.	599.1	152	46.9	379.8

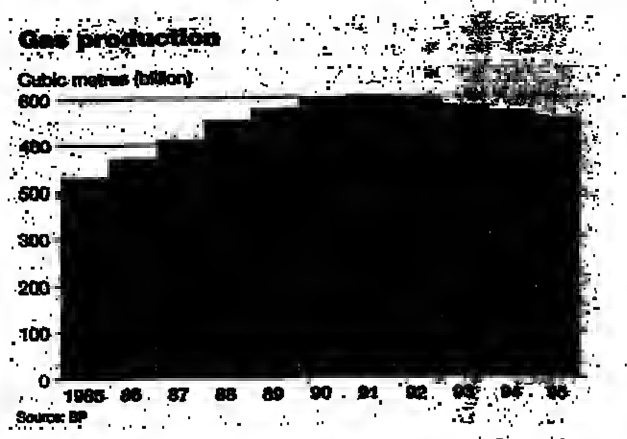
Source: Interfax

OIL AND GAS • by John Thornhill

Two routes to a single objective

How a common ideology has divided the twin pillars of the economy





Russia's oil and gas industries offer a fascinating study in contrasts between two very different models of privatisation, one liberal, the other distinctly national.

The merits and drawbacks of both models are likely to spark arguments between economic theorists for years to come. Each has its fervent supporters and detractors.

But the method of privatising these industries has also had enormous practical significance, given the central role that oil and gas play in the Russian economy. The success of these two sectors, which together account for about 40 per cent of the economy, will be vital in securing a competitive internal market and export-led growth.

When the decisions were taken about how to restructure the Soviet energy industry in 1992, the government opted to keep the gas industry largely intact.

Under the shelter of Mr Victor Chernomyrdin, the former head of the gas industry – who became deputy prime minister in charge of energy, and subsequently prime minister – the gas industry was bundled up into one huge monopoly, Gazprom.

Unifying production enterprises, pipelines, research institutes, farms, and foreign trade companies, Gazprom emerged as a vast enterprise, controlling one-third of the world's proven gas reserves, employing 375,000 workers, and operating enough pipeline to wrap nine times round the globe.

Political patronage ensured the company had a unique legal structure and benefited from considerable tax privileges. Strict limits were placed on foreign ownership of this national strategic asset.

The oil sector was divided into dozens of competing vertically-integrated companies modelled on the multinational corporations that dominate the western energy industry. Only the oil transportation network remained in state hands.

Although it was something of a haphazard process, each oil company was given a bundle of assets ranging from oilfields and refineries to wholesaling operations and gas stations. The oil enterprises bavs since sbufflsd assets and agglomerated with other companies to create more rational asset portfolios.

In theory the oil companies have been more open to co-operation with their foreign counterparts. For example, Lukoil, Russia's biggest privatised oil company, has concluded a $5bn joint venture agreement with Atlantic Richfisld, of the US, to explore opportunities in the Caspian Sea.

Gazprom says that its model of privatisation has ensured stability in the gas industry and predictability of supply. It has a point. Between 1991 and 1995 Russian gas production contracted hy 7 per cent to 600bn cubic metres, while crude oil ouput plummeted by more than 40 per cent to about 300m tonnes.

During that time, Gazprom steadily increased its exports to western Europe, earning precious hard currency. It has also acted in a socially responsible manner by continuing to provide a reliable supply of gas throughout the country in spite of its customers running up massive unpaid bills. However, its critics say it still fails to pay its fair share of taxes because of its political ties.

The oil industry has seemingly been so obsessed by its struggle for control of assets that it has paid less attention to checking the startling falls in its output levels. The rate of investment in the industry barely seems enough to sustain production at its current depressed level.

> The creation of strong oil companies is seen as a step towards a rational policy environment

But there are signs that the competitive structure of the oil industry is beginning to sharpen up the oil companies' operations and could lead to a more dynamic industry. Perhaps the trend is best seen at the downstream end of the industry, where a battle is raging to build new gas stations.

Mr Charbel Ackermann, head of the Moscow office of ths Bostoo Consulting Group, who has conducted a study of the petrol retailing sector, says oil companies are compsting fiercely to build gas stations. In the big cities, the number of gas stations is expanding at a compound rate of more than 20 per cent a year.

"You have a competitive oil markst developing at most levels in the domestic market, creating some strong and independent companies. We believe very strongly that this has been a good move in forming a rational policy environment," he says.

Several oil companies are intent on raising capital in western financial markets to finance their development plans. In the process they are opening themselves up to outside scrutiny by appointing auditors and issuing proxy shares abroad in the form of American depositary receipts.

The government is drawing up plans to try to inject a similar dose of competition into the domestic gas market and to regulate Gazprom more effectively. The talk is of splitting Gazprom into two, with one company focused on gas production and the other on transportation.

This could allow independent gas groups and oil companies with gas reserves to access the gas pipeline network. But Gazprom retains formidable political clout and it seems unlikely that the government would have the strength to push through such radical changes in the face of industry opposition.

The more likely outcome would be that Gazprom would start to see the virtues of greater financial transparency and decide to separate its production and transportation operations.

Gazprom's senlor managers received some quick-fire lessons in capitalist thinking last year, when they toured 14 western financial centres to sell 1.15 per cent of the company's equity for $429m. The company intends to sell up to 9 per cent of its equity to international investors and is also raising finance via syndicated bank loans.

After his grand tour Mr Rem Vyakhirev, Gazprom's chalrman, spoke tbe language of a capitalist convsrt, saying tbat the company would pay increasing attention to the financial returns on its vast assets and dispose of underperforming businesses.

If this rhetoric is borne out in reality, Gazprom could yet emerge as a traditional western-style multinational corporation. After pursuing very different routes over the past four years, Russia's oil and gas sectors may have started to converge.

FOREIGN DIRECT INVESTMENT • by Matthew Kaminski

Barriers to a cash flood

Unsympathetic legislation and a complex tax regime deter foreign investors

Estée Lauder counter at the Moscow country club: FDI is virtually exclusive to the big names *James Hill*

President Boris Yeltsin lashed out at US investors last month for playing only "a very small part in providing financial support" for Russia's economic recovery.

His timing seemed a little strange. In the week of his attack, Russia again topped the chart as the riskiest investment destination tracked by the Economist Intelligence Unit. As a result, five years after reforms were launched, capital flows into Russia are a trickle.

Forelgners invested just $5.3hn between 1989 and 1996, according to European Bank for Reconstruction and Development estimates. In Hungary, foreign dlrect investment was $11.5bn between 1989 and 1995.

Russians tbemselves are probabiy the least hullish abont tbeir country. Deutsche Morgan Grenfell estimates thet capital flight of $22.3bn from Russia last year was 10 times greater than the inflow of foreign investment.

The continued dearth of the strategic investment that Russia sorely needs to modernise its infrastructure and spur an economic revival has not quelled the growing enthusiasm for high-yielding local capital markets, however.

Tbe strong returns on domestic debt overshadow the investment appeal of the private sector. Portfolio investors are spared the ofteo mundane hassles of actually doing business in Russia.

The standard litany of foreign investor complaints largely focuses on details of Russian legislation rather than the risk of a communist revival or civil war.

"Western companies are not ready to take a strategic position in Russia," says Mr Pär Mellström, bead of researcb at Brunswick, a Moscow brokerage. "All [foreign direct investment] is coming from people who really have no choice but to be bere – like McDonald's – in order to sell their products."

Russia needs a political solution, Mr Mellström adds. "It's nearly impossible to run a manufacturing business in Russia profitably."

Taxes are the main reason for this. The current tax code is complex, ever-changing and randomly enforced – often st the expense of foreign companies that have transparent accounts. The government bas long promised an overhaul, but made little progress.

Weak and untested propsrty aod contract safeguards, endless regulations enforced by bostile and often venal bureaucrats, and a playing field made uneven hy trading and tax favours granted to the Kremlin's friends are complaints frequently cited.

The parliament's drawn-out consideration of a workable production sharing agreement has blocked three large oil and gas projects, worth $20bn, and slowed investment in a sector that accounts for 40 per cent of the Russian economy.

Russia's historical ambivalence to tbs west, whicb turned into outright hostility in the Soviet era, has been evident in the investment field. Privatisation favoured insiders and local companies, climaxing in an infamous "shares for loans" scbeme in 1995 that saw about a dozen large Russian companies sold for a fraction of their market price to several large Moscow banks.

Remaining large assets are similarly being privatised. A 20 per cent stake in Rosgosstrakh, the state insurance company that last year collected Rbs310bn in premium income, was sold last month to its workers for Rbs1.8bn, and tha management wili claim another 30 per cent at the same price per share.

Its privatisation bas brought protests from parliament tbat the company's real market price would be a hundred times that. But Mr Vladislav Reznik, chairman of the board, says: "If the Duma [the lower bouse of the Russian parliament] does not like lt, tbey sbould change their own privatisation laws."

He adds: "I agree with the criticism that Russia's policies are protectionist."

The oew government will be watched closely for any signs of change. Even after the privatisation drive, it still bas significant stakes in many Russian companies, the sale of which could raise reveoue for the battered budget.

Western donors bave again been pressing tbe Kremlin to privatise Svyazinvest, a bolding company with stakes in 85 regional telephone operators.

But Russia's phenomenal natural wealth and vast size can hardly be ignored – particularly by the western blue chips. And some are having success.

General Electric of the US last year posted $600m in Russian sales, the most by any foreign company, on the strengtb of its power and medical systems businesses. GE launched an engine production venture in Rybinsk last year, one of its 11 ventures in Russia. Bnt this month tbe company will close a small distribution subsidiary, following a dispnte with the tax authorities.

Mr Charow, who heads the Moscow office of the American Chamber of Commerce, notes investors are moving away from joint ventures, which bave somstimss ended in disastrous divorce. Instead, many companies are acquiring plants – which involves developing a close relationsbip with local administrations – or investing in greenfield sites.

Although energy or metallurgy may be the most lucrative, the sectors thet are sbowing strong growth and an openness to outside capital are consumer goods, services and construction.

"This is not an easy environment," Mr Charow says. "It'll gradually happen. I can't imagine any singla event thet would trigger an investment boom."

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ELECTRICITY • by Charles Clover

Moscow's new power struggle

Debts to the monopoly, Gazprom, are just one thing making life hard for utilities such as Mosenergo

Mosenergo, the bluest of Russia's blue-chip electric power companies, has over the past few months accounted for one-tenth of the trading on the Moscow stock exchange as the foundations of Russia's power industry have shifted beneath it.

Regulators, creditors, and debtors are all battling for control of the potentially profitable, but momentarily insolvent industry, and the coming year will probably see momentous changes at utilities such as Mosenergo, which provides and distributes electricity to the Moscow region.

The biggest threat to the status quo in the power sector, which burns gas in 65 per cent of its plants, is that it owes Russia's gas monopoly Gazprom between 20,000 and 30,000bn roubles in payment arrears for supplies, largely because its customers owe it around twice that amount.

Mosenergo explains: "Our customers owe us 13,000bn roubles, while we owe our suppliers 6,000bn roubles."

It is difficult to tell if Gazprom really wants to be paid back, though: it may use these arrears as leverage to gain control of the power industry. The company this month announced its inclination to swap the debt of the local utilities, such as Mosenergo, for a 25.1 per cent equity stake in United Energy Systems (UES), the gigantic high voltage power transmission company that owns 49 per cent stakes in most of the regional companies.

This is not the first time that Russian resource suppliers have tried to gain control over their potentially more profitable, but insolvent, end-users by swapping payment arrears for control. Over the past five years, the oil industry sorted out the debts of downstream refiners to upstream production associations by placing them all together in vertically integrated companies. Gazprom would probably like to do the same thing to the power sector.

If Gazprom were to succeed in getting its coveted 25.1 per cent stake in UES, it would gain one seat on the board: effectively the right to veto resolutions. But Gazprom is busy marshalling forces on all sides. The Russian government, which owns a majority stake in UES and therefore gets to appoint the chairman of the board, has presented the name of Mr Peter Rodinov, who has been the minister of power and electricity and is a former Gazprom executive.

Seats on the board of UES, in turn, would give the gas company leverage over the regional utilities, which it could use to widen its profit margins at the expense of those of the power sector.

Activism by Russia's anti-monopoly committee may prevent Gazprom's dream from becoming reality. Reformers in the Russian government such as Mr Boris Nemtsov, the new first deputy prime minister, have already put monopoly-busting at the head of their list of economic priorities, though it remains to be seen how effective they can be with the likes of Gazprom, which in the past has played with the anti-monopoly committee like a toy.

But local political heavyweights may leap to the defence of their respective regional utilities. According to Mr Vladimir Belobrow, an analyst at Nikoil investment company, Mr Yuri Luzhkov, Moscow's mayor, is likely to be Mosenergo's main protection from Gazprom.

The inter-relationship between the local officials and the electricity sector is that the latter depends on favourable regulation by regional tariff commissions, appointed by the former. Moscow's tariff structure, for example, features high rates for industrial users, which account for most of the power consumption in the region. At the moment, industrial consumers pay six times the residential rate for electricity, in effect subsidising residential use.

In February, however, the Russian government passed a law that may harm the profitability of the utilities by "rebalancing" tariffs: raising residential rates and lowering rates for industrial users.

The implications of the current legislation are hard to gauge, as is often the case with wordy Russian laws. But the market is pessimistic about the rebalancing: "Mosenergo is getting killed at the moment because of these new regulations," says one analyst.

AGRICULTURE • by Charles Clover

Down, on the farm

High input prices and low returns are frustrating efforts to reform the sector

Cows at a private farm: whether they produce milk or meat, farmers fail to make money

Agriculture is the one economic sector in Russia that still manages to hold capitalism at bay. While 97 per cent of farmland was technically privatised in 1992, owners have been found for only 1 per cent of this total and the percentage is not rising strongly.

"Everyone is interested in the trucks, the machinery, the buildings but no-one wants the land."

This, explains Mr Yuri Shelukhin, director of the Klemeonovskoe state farm outside Moscow, is what his acquaintances at farms in Rostov and Nizhny Novgorod, now going through the final phases of privatisation, tell him. "Land is unprofitable," he says.

In April, Klemeonovskoe will itself be shepherded through the final stages of privatisation, a process that began in 1992 and in theory transformed it from a Sovkhoz (state farm). In practice, however, there may be little material difference. When asked what will change as a result of this process, Mr Shelukhin thinks for a while and then says "our status".

What will not change in April is the fact that Klemeonovskoe is obliged to pay astronomical prices for its inputs such as fertiliser, seeds, and equipment leases, while receiving a pittance for its output from commercial processors.

"We often don't make back our costs of production," he says.

Making land private is not the same as making it profitable, and reform efforts that have been carried out since the 1960s have never managed to prevent the country's farmers from being squeezed between monopolies that supply their inputs and those that process their outputs.

Now that these monopolies are private, moreover, the farmers' terms of trade have deteriorated further: industrial prices have risen twice as fast as agricultural prices in Russia over the past five years.

Grain, for example, is handled by Roskhlebprodukt, the former state-owned grain processing monopoly, which was privatised in 1991.

Animal products, meanwhile, are handled by central monopolies at the regional level.

"We say that we will get the [animal products] market going, but no matter what the farmers start to do, whether they produce milk, beef, pork, or poultry, they are going to lose money because of price disparity," said Mr Mikhail Lapshin, chairman of Russia's Agrarian party at a recent press conference.

The main argument for land reform lies in statistics that show that over half of certain crops, such as potatoes and vegetables, are produced on private plots set aside on collective farms during perestroika. Yet, these account for less than 5 per cent of Russian farmland. Crops that are predominantly privately grown have also not experienced the declines in production that have occurred in grain and animal products over the past five years.

The statistics may suggest that working on land they own, farmers grow crops that are more profitable and that do not need to be delivered to a central monopoly, as do grain and animal products. "You can sell carrots on any street," says Vitya, a worker at Klemeonovskoe.

Part of the reason why suppliers and processors are able to squeeze farmers is geographic. Economics dictate that there will be only one milk plant in each region but transport costs and bad roads prevent farmers from accessing competitors. Jointly owned processing facilities have failed to catch on in Russia.

What the Russian agricultural sector has failed to do is to integrate vertically. This means that producers do not have sufficient share of the processing and the profits it generates.

When the local meat combine was privatised at Klemeonovskoe, the area farmers secured 29 per cent of the shares, and the plant manager received 48 per cent. Needless to say, the manager wanted to be an independent commercial enterprise, rather than part of a co-operative.

Financing for farmers to build their own processing facilities, meanwhile, is non-existent. "I couldn't get a loan even for 214 per cent interest," says Mr Shelukhin. "The banking system is not meant for people like us."

"Forced collectivisation," sums up one western consultant, "is easier than forced privatisation."

Agricultural output

mn t	1990	1991	1992	1993	1994	1995	1996
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Milk	55.7	51.9	47.2	46.5	42.2	39.2	35.7
Eggs (bn)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Grain	116.7	89.1	106.9	99.1	81.3	63.4	69.3
Potatoes	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Vegetables	10.3	10.4	10.0	9.8	9.6	11.3	10.7
Sugar beet	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sunflower seeds	3.4	2.9	3.1	2.8	2.6	4.2	2.8

Source: Russian Economic Trends

PROFILE Vimplecom

From swords to shares

How a defence expert created an NYSE-listed communications company

As director of the Mintz Radio Institute, Dr Dmitri Zimin had used high radio frequencies to design radar that could track and shoot down enemy missiles for many years. But in 1992, he decided to home in on a lucrative business opportunity instead.

From his vantage point as one of the former Soviet Union's experts on radio frequencies, Dr Zimin was able to see the potential of the radio spectrum as a substitute for the inadequate wireline telecommunications service in Russia. He was also able to pinpoint the part of the radio spectrum that might be available for this purpose.

In January, 1993, Dr Zimin convinced the Ministry of Communications to grant his fledgling company, Vimplecom, the licence to use the 800 MHz AMPS frequency in the Moscow area for cellular communications. Armed with this licence and supported by an American business partner, Mr Augie Fabella, Dr Zimin and his colleagues from Mintz created one of the most profitable companies in Russia.

Today, because of poor land-line service and its convenient cellular alternative, the average cellular phone user in Russia logs 480 minutes a month of service compared with 145 minutes in the US, despite the fact that tariffs in Russia are much higher.

The result of this equation is that cellular communications in Russia is extremely profitable. Vimplecom's operating margins have hovered in the 35-40 per cent range every quarter since 1995.

While Dr Zimin and other colleagues provided the technical expertise, Mr Fabella took care of the marketing, introducing a brand name, Beeline, and other features such as 24-hour customer service. As a result, Vimplecom's share of the Moscow cellular market went from 25 per cent in 1994 to 60 per cent by the end of 1996.

Last autumn Vimplecom became the first Russian company to be listed on the New York Stock Exchange since the turn of the century.

Many Russian companies have gone to Wall Street to hawk different types of equity instruments, such as level one and level two American Depositary Receipts (ADR). The difference between these instruments and a fully-fledged NYSE listing, a level three ADR, is that a listing allows a company to issue new equity without trading restrictions.

Getting to level three ADR requires more than producing cell phones and profits: western-quality financial disclosure. The US Securities and Exchange Commission requires three years of GAAP (generally accepted accounting principles) financial statements for any company issuing a level three ADR.

"There are maybe six companies in Russia right now that can do this," says Mr Alan Apter of Renaissance Capital, which advised Vimplecom on its issue.

Since Vimplecom was a start-up company, it did not have to reconstruct its finances the way other Russian companies did, so producing three years of western accounting was relatively simple.

In its NYSE debut, Vimplecom issued 3.5m new shares, representing about 15 per cent of its total equity, and raised $66m in new money.

The only constraint on Vimplecom's further growth, the 200,000 subscriber capacity of its AMPS frequency, was removed last year when it was licensed for the 1,800 MHz PCS network.

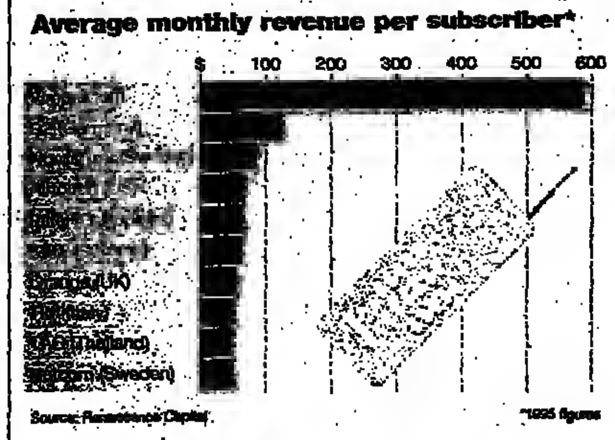
Vimplecom currently has 45,000 subscribers, which should increase several fold over the next few years. The PCS network will give Vimplecom additional capacity for up to 1m new subscribers.

The only shadow over the business is cast by Russia's anti-monopoly committee. It might take exception to the fact that the company controls 80 per cent of Moscow's cellular capacity. Or that the cellular industry is essentially a duopoly – substantial interest in Vimplecom's two competitors, MTS and MCC, is held by MGTS, Moscow's wireline operator, according to Mr Yuri Krapivin of Renaissance Capital.

According to Dr Zimin, the high Moscow cellular tariffs are not the result of collusion. Rather, they reflect high Moscow prices in general.

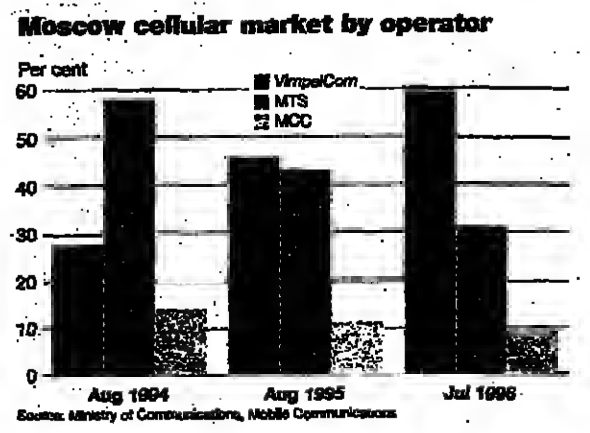
Charles Clover

Average monthly revenue per subscriber*



Source: Renaissance Capital *1995 figures

Moscow cellular market by operator



Source: Ministry of Communications, Mobile Communications

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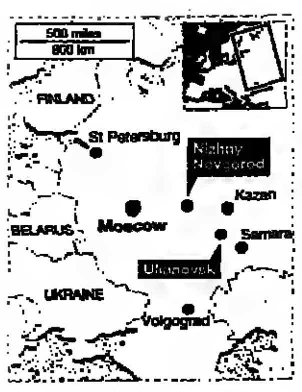
A comparison between the provinces of Nizhny Novgorod and Ulianovsk reveals how decentralisation will widen the scope for economic and political disparities

Two regions, two worlds



As the Soviet Union was collapsing, Mr Boris Yeltsin, the Russian president, embarked on a dramatic decentralisation of political and economic power within Russia itself, urging regional leaders to "take as much [power] as you can". Provincial chieftans responded with alacrity, shifting control over many aspects of Russia's economic and political development from the Kremlin to the peripheries.

The strength of the regions was further enhanced by a marathon of provincial elections last year, which replaced Yeltsin appointees with directly elected governors. Now answerable to their local constituencies rather than Moscow, provincial leaders are expected to pursue an independent course even more avidly.

The trend towards decentralisation in Russia means that to track the country's political and economic transformation accurately it is important to venture beyond the ring-road that encircles the capital city and travel into the regions. The story there is complex.

Political independence has led to increasing diversity among Russia's 89 regions. Some have pursued economic and political reforms more single-mindedly than the sometimes ambivalent federal government, while others have fought a rear-guard action to preserve communism.

To chart the strongly contrasting experiences of Russia's provinces, the FT has visited the two regions at each end of the reform spectrum: Nizhny Novgorod, the greenhouse of many of Russia's most radical changes, and Ulianovsk, a leftist strong-hold where the local authorities have sought to defend the old, Soviet way of life.

Chrystia Freeland

Nizhny Novgorod's ... ex-governor, Boris Nemtsov

Shock of the old in birthplace of Lenin

The policies of its governor make Ulianovsk seem a dangerous anachronism

As Lenin's birthplace, Ulianovsk became a Soviet shrine on the wide Volga River, full of revolutionary museums and impressive memorials.

Even in the new Russia, which offers its people property and – possibly – wealth, Ulianovsk keeps the famous son's legacy alive. The shops are state-owned. There are few foreign cars and much uniform dress. Cafés are closed by dark.

The evident absence of commerce in Ulianovsk – hailed by old believers, condemned by liberals – highlights the stark regional contrasts that characterise Russia's traumatic transition from communism.

The creation of the Russian Federation in 1991 gave regional governors broad authority for the first time. Since grass roots pressure was weak, the political colour of local leaders often set the pace of change in the regions.

Some moved fast, by selling small enterprises and improving the climate for business. Nizhny Novgorod and Samara, industrial centres also on the Volga, chose this path.

Ulianovsk's governor, Mr Yuri Goryachev, followed another. He forbade local privatisation and collective farm reform. Nearly all the street kiosks, nationally the symbol of budding consumer trade, last year were put on lorries and taken away.

Surrounded by regions where market reforms have taken more hold, Mr Goryachev has been forced into policies once favoured by Soviet leaders against the hostile western capitalist world.

When collective farmers sold their grain stocks to the commodities exchange auction in nearby Nizhny Novgorod – rather than sell to Ulianovsk local government for a lower price – Mr Goryachev forbade them to export beyond regional borders.

The Ulianovsk government, in a federalist challenge not taken up by central authorities in Moscow, has also put limits on imports of beer and other items produced in neighbouring Kazan, to protect local industries.

Bread prices were heavily subsidised, forcing the use of rationing cards – until the policy this year became too heavy a strain on the local budget.

'It's very hard to jump over every hurdle that the local government has put up. Coming to Ulianovsk, you haven't just gone 1,000km east from Moscow. You've gone 10 years – backwards'

'The government is getting fat and ignoring the people'

But Ulianovsk also lacks the new jobs created by small enterprises and by service industries that have softened the blow of economic depression elsewhere.

Official unemployment stands at 8 per cent, more than double the national average, as registered by the Moscow labour ministry. And these figures grossly understate the true situation, say western economists.

Liberalisation carries an impact beyond economics. Ulianovsk, by contrast with other regions, has been slow to open up to the world and embrace the recent political changes.

The empty and colourless store fronts, a rare sight in other provincial Russian towns, and empty shelves in the state shops, indicate that Ulianovsk residents lack purchasing power or that the business climate is unfriendly.

Sergei is a 26-year-old who will not give his last name for fear of retaliation. He says his company waited a year for the permits needed to open his modest shoe store, the only private shop visible on Lenin Avenue, not far from the Bolshevik hero's boyhood home.

"It's very hard to jump over every hurdle the local government has put up," he says. "Coming to Ulianovsk, you haven't just gone 1,000km east from Moscow. You've gone 10 years – backwards."

Ulianovsk's large enterprises, the UAZ car plant that makes the "Russian jeep" and the AviaStar plane factory, are working at roughly half capacity – hardly unusual in Russia.

"People here are still afraid," says a hotel clerk, in hushed tones. "No-one will say a bad thing about the governor, but he's suffocating the place. Young people are fleeing."

Otkritaya Gazeta, an independent weekly newspaper, has started running stories criticising Mr Goryachev's policies and reporting on his son's business activities. "This city is dying," argues Mr Gennady Antonyets, the editor.

The newspaper last year was forced into printing in Nizhny Novgorod on three occasions, when Ulianovsk authorities tried shutting it down. Mr Goryachev, a 58-year-old who also ran the region in Soviet times, declined a request for an interview.

The allegations of corruption and mismanagement that swirl around the local administration evoke the stagnant Brezhnev era rather than the new Russia of million-dollar dachas and private airplanes.

Even with the Communist Party ostensibly in power, public discontent has been growing. As in other areas of Russia, state workers have not been paid for months.

"Communist or not communist, the government is getting fat and ignoring the people who elected it," says a calm, bespectacled teacher protesting outside government house last month. Seven schools in Ulianovsk have been closed by strikes for back wages.

Neither the political parties nor the state trade unions are providing a credible outlet for protests, and other divisions are emerging.

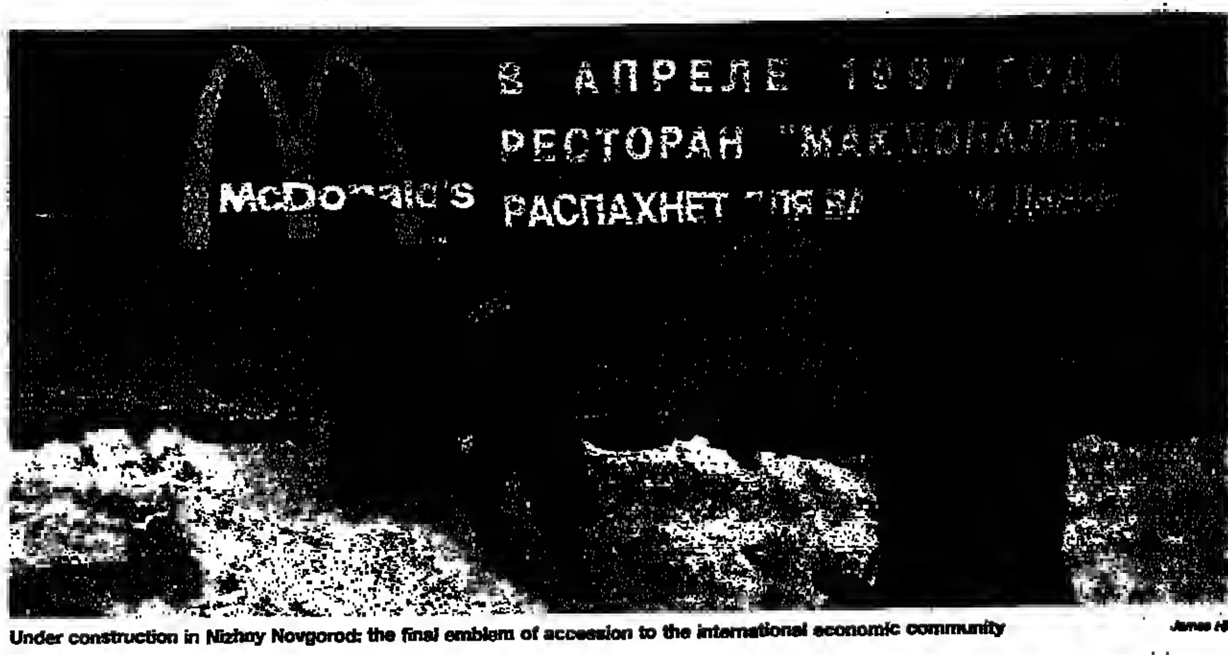
Mr Goryachev won last December's elections on the back of support for the rural community. Ulianovsk itself elected a mayor who warmly praises Mr Anatoly Chubais, the liberal economist and Russia's first deputy prime minister.

"Ulianovsk oblast is a red island of Sovietism," says Mr Vitali Marusin, the mayor. "What harm would it do to open a few private stores and permit free trade? The stagnation you see here is the result of political decisions taken by the governor."

Mr Marusin says investor friendly laws and taxes are needed for the region's revival. He also supports small shop privatisation. Consequently, the city that provides the tax base and the oblast government that spends the revenue are in open conflict – a common feature of post-Soviet politics.

The governor's hand, in the end, is stronger. He controls the purse strings and can blunt any city-led reform initiative. But unwittingly Mr Goryachev, a self-styled "old Communist", undermines another Leninist legacy – that of a giant Russia unmarked by significant differences between its disparate regions.

Matthew Kaminski



Under construction in Nizhny Novgorod: the final emblem of accession to the international economic community James Hill

Guarded hope in home of the hero

The long-term success of Nizhny Novgorod rests ultimately on the success of Russia

Russian President Boris Yeltsin's surprise decision this month to elevate Mr Boris Nemtsov, a 37-year-old provincial governor, to the cabinet has turned the spotlight on Nizhny Novgorod, the new first deputy prime minister's home-base.

In the Soviet era Nizhny Novgorod had a bleak notoriety. Known then as Gorky, in honour of the Bolsheviks' favourite writer, it was the closed city to which Mr Andrei Sakharov, the nation's leading dissident, was relegated in internal exile.

But under the leadership of Mr Nemtsov, who was appointed governor in 1991 as a reward for backing Mr Yeltsin during the failed August coup, Nizhny Novgorod has earned a more welcome sort of fame, as the flagship of market reforms. Small-scale privatisation and agricultural restructuring programmes were pioneered in Nizhny Novgorod and Mr Nemtsov has been at the forefront of calls for a new wave of changes in the social sector.

Now that Mr Nemtsov, Russia's best-known provincial reformer, has been brought into a top cabinet job and is being mooted as a possible successor to Mr Yeltsin, Russians are taking a closer look at Nizhny Novgorod to determine if the region lives up to its image.

Local businessmen are enthusiastic promoters of the Nizhny miracle, pointing out that the region stands out as a success story against the dismal backdrop of the other provinces.

"When I drive my car from Moscow to Nizhny Novgorod, driving through the Russian provinces, it is like travelling through different countries," says Mr Alexander Buyevich, a young Russian lawyer who turned down a partnership with a New York law firm to manage a paper mill in the Nizhny region.

"You have a good road in the Moscow region and a good road in Nizhny, but in between there is nothing," he says.

Mr Buyevich's verdict is supported by the bustling shops in the colourful centre of Nizhny Novgorod. Within a few months, it will boast that final imprimatur of membership to the international economic community – a McDonald's restaurant.

International investors have already given the region high marks, assigning ratings for Nizhny Novgorod's forthcoming Eurobond issue that are on a par with Poland or Russia.

But despite these street-level signs of success, Nizhny Novgorod is hardly a boom town. Instead, it is still suffering the protracted depression that has dragged down all of Russia.

As Mr Alexander Kotusov, an aide to Mr Nemtsov, explains: "If you take the past five years, since Nemtsov came to power, then our situation is a bit better than in the rest of Russia. Industrial production has fallen by 55 per cent in the rest of Russia but just by 50 per cent here. So it is a bit better, although, of course, there is nothing to be proud of."

Nizhny Novgorod suffers from the national disease of wage arrears, although the two-month average hold-up is shorter than in more depressed areas. As in other parts of Russia, real money is being pushed out of the local economy, with barter and other non-cash forms of payment accounting for at least 50 per cent of transactions. Tax collection in the first two months of the year was down.

This is the dark side of the Nizhny Novgorod economy. But local businessmen say Mr Nemtsov's reforms should still be judged a success: if they had not happened, the picture would be even bleaker.

"Without reforms, all of the former defence factories [which accounted for 75 per cent of the regional economy before the disintegration of communism] would collapse, the energy system would collapse, pensions, salaries, everything would collapse, there would be no development in the social sphere," Mr Buyevich argues.

Nizhny Novgorod business and political leaders attribute the region's ability to stave off this nightmare scenario to Mr Nemtsov's aggressive pro-market leadership.

"Working on privatisation in this region I understood a very important truth, which totally contradicted all that we were taught by Marx – and that is the role of the personality, the way a true leader can really speed up the process," explains Mr Igor Maskaev, one of Nizhny Novgorod's youthful deputy governors.

Mr Nemtsov's reformist signature is particularly evident in the strong local government support and carefully constructed infrastructure for small-business development.

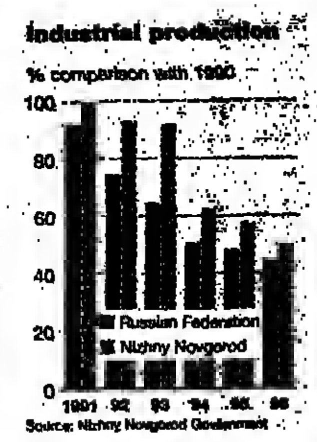
This approach has fostered the emergence of 99,000 small businesses in the area, employing more than 254,000 people. Inducements include a special programme that leases equipment to small businesses at favourable rates and a micro-lending scheme financed by the European Bank for Reconstruction and Development and disbursed through NDB Bank, a vibrant locally based bank.

'Working on privatisation in this region, I understood a very important truth, which totally contradicted all that we were taught by Marx – and that is the role of the personality'

"Small business grows here and it grows very quickly," says Mr Boris Brevnov, a member of the local legislature and chairman of the board of NDB Bank. He says the most flourishing start-ups are the local TV company, a local magazine and small telecoms businesses. Of the 60 micro-loans his bank has made, there has been only one default.

At the same time, Mr Nemtsov has made a bid to kick-start the Soviet-era behemoths that still account for a lion's share of the regional economy.

The former governor's greatest success has been at GAZ, the local car factory, which has weathered the transition to the market economy better than any other car plant in Russia.



Executives at GAZ attribute the mammoth enterprise's relative good fortune to the energetic management style of Mr Nikolai Pugin, its general director. And Mr Pugin's appointment was in large part the work of Mr Nemtsov, who convinced the shareholders, many of them factory employees, to oust the previous, conservative director.

"They listened to the governor, who said the old director was not a market man," Mr Kotusov says. "The new director, Pugin, is an absolutely different type."

The loudest complaint of the burghers of Nizhny Novgorod is that their pro-market region remains subject to the ills of the larger, more cumbersome, national economy. They point out that many of the biggest remaining roadblocks to a burst of economic growth – a cumbersome tax system, the strangle-hold of the natural monopolies – can only be swept away by the Kremlin's broom.

"Unfortunately, even the progressive regions share the problems of the conservative regions," Mr Buyevich says. "It is not possible to be prosperous alone in a country where there are problems."

With Mr Nemtsov's appointment to the cabinet, that complaint has lost its sting. Nizhny Novgorod's local hero is now in the capital and the whole country will be watching to see if he can solve the problems which – up until now – his fans have blamed on the federal authorities.

Chrystia Freeland

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CHECHNYA • by Chrystia Freeland

Fitful sleep for the dogs of war

Why Moscow's joy at the Chechen detente smacks sadly of self-deception

After almost two years of fighting, Russia's war with the breakaway Chechen republic is, at least temporarily, over. The recess in the bitter conflict, negotiated by Mr Alexander Lebed, the charismatic general-turned-politician, last summer, has brought a mighty sigh of relief from the Kremlin.

That sentiment was captured by Mr Boris Yeltsin, the Russian president, who observed in his annual state of the nation speech earlier this month: "The main thing has been achieved – peace in the Chechen republic has been restored."

Moscow's satisfaction is understandable. The war, which according to some estimates left up to 100,000 people dead, besmirched Mr Yeltsin's domestic and international reputation as a democrat, sullied the image of Russia's armed forces and provoked a painful split between Russian liberals and the government.

But the conflict remains fundamentally unresolved. The clash between Moscow and Grozny, the Chechen capital recently renamed Dzhokhar-ghala in honour of the Chechen independence leader, is in abeyance. Yet the sparks of the initial war could at any moment ignite new fighting.

Chechnya remains a problem for Russia in part because Moscow has refused to come to terms with the causes of the war and with the consequences of its conclusion. Mr Yeltsin told the Russian people this month that "the war in Chechnya has taught us a lot" but it is hard to find evidence that the lessons of the conflict have been learned.

From the outset, Moscow framed the fighting as a struggle between a legitimate, publicly supported government (Russia) and small, despised criminal gangs. Nearly two years of war proved that interpretation to be inaccurate. Instead, the conflict was between an imperial power and an ethnically and religiously distinct people who had been fighting for independence for centuries.

Moscow views the end of hostilities last summer as a ceasefire and insists that Chechnya remains an integral part of the Russian Federation. But, in fact, the fighting stopped only because Russia withdrew its troops. Moscow today has no political or military authority on Chechnya's territory.

Such doublespeak risks complicating the already difficult tasks the Kremlin faces in the region. The first and most pressing dilemma is to find a modus vivendi for Russia and the separatist leadership of Chechnya. Last summer's agreement gave the warring parties breathing space: according to the deal hammered out by Mr Lebed, the two sides will postpone a final decision on the political status of Chechnya for five years.

But that tactful agreement to disagree is already coming under pressure. In January, Chechnya held a presidential ballot. Mr Aslan Maskhadov, the military commander in the separatist battle against Russia, was overwhelming elected president in a vote that hundreds of international observers described as free and fair.

Although he was Moscow's preferred candidate in a field that included the leader of Chechnya's most infamous terrorist raid against Russia, Mr Maskhadov has already shown himself to be absolutely committed to the independence cause. His determination to build a fully independent Chechnya, and to seek recognition for his breakaway state, could cause intense embarrassment for the Kremlin and is likely to become a central political issue if Mr Yeltsin's health problems force pre-term presidential elections.

Chechnya is also likely to remain a problem for Russia because, after two years of war, the mountainous republic today is rife with heavily armed, poorly educated young men who have few job prospects. Some of them are turning to an activity with deep historical roots in Chechnya – taking Russian hostages for profit.

According to Chechen officials, more than 350 people have been taken hostage in the republic since November, 1994. More than 50 have been kidnapped over the past five months, including at least six Russian journalists. The region has become so dangerous for reporters that many Russian networks have withdrawn correspondents, and Chechen authorities have urged foreign journalists to stay away.

The emergence of an independent but lawless state that could become a haven for criminals targetting Russia is one of the Kremlin's nightmare scenarios. Indeed, one of the official reasons Moscow began its war against Chechnya in 1994 was because the republic had become a refuge for criminals. If that threat materialises the Russian government will again be pressed to take action and could find itself tempted to begin another war.

Optimists still hope that the realities of geography and economics will force Russia and Chechnya to find a peaceful way to live together. Landlocked and devastated by war, Chechnya would find it difficult to exist alongside an entirely hostile Russia.

Likewise, Moscow needs Chechnya: a crucial pipeline linking the valuable Caspian Sea oil reserves to the west travels through the war-torn republic. The Kremlin is also eager to re-establish stability in a geopolitically critical corner of its vast federation. Humbled by military defeat, it seems to have lost its taste for an all-out battle on its southern flank.

Ironically, after tens of thousands of deaths, the humiliation of its army and two years of war, Russia faces a political challenge in Chechnya almost identical to the one that confronted it before the fighting began. If anything, Moscow's hand is today weaker: the victorious Chechen forces are more self-confident and more committed to independence than they were before they had faced down the Russian army. Only time will tell if, the second time around, Mr Yeltsin and his administration will be able to find the political and moral courage to make a lasting peace with Chechnya.

'Peace in Chechnya' read the sign left outside the bombed presidential palace in Grozny last year. Today, peace is fragile

FOREIGN POLICY • by Bruce Clark

Year of living carefully

The diminution of Russia's power is leading to a new approach to foreign affairs

The last year has been a frustrating time for Mr Yevgeny Primakov, the Russian foreign minister.

By instinct and background, the former spy-master and scholar of Middle Eastern affairs is well qualified to play a mean game of geopolitical poker with the US and any other nation that crosses Russia's path.

But, at least until very recently, his attempts to formulate a coherent strategy for Russia's external relations have been stymied by the disarray and infighting that have gripped the Kremlin since President Boris Yeltsin was re-elected last year.

While he has shown the flag in the Middle East by reviving relations with both Israel and former Soviet clients such as Syria, Mr Primakov has been forced to spend a good deal of his time simply limiting the damage to Russia's waning prestige.

The biggest source of "damage" to Russia's diplomatic fortunes is clear enough, at least from the Kremlin's standpoint: the virtual certainty that Nato will, as of this summer, begin to incorporate some of Moscow's former satellites.

At the Helsinki summit meeting in March between Mr Yeltsin and President Bill Clinton, it became clear that Russia will not only have to live with Nato's expansion, but will also have to give up hope of extracting large concessions from the west in return.

Moscow has now accepted that a much vaunted charter, governing its future co-operation with Nato, will not be legally binding, as it hoped. Nor will Russia get any promise that the "first wave" of Nato expansion, due to be complete by 1999, will also be the last.

The few "sweeteners" Moscow has secured include a promise that Nato will not routinely deploy large numbers of troops or nuclear weapons on the soil of new members. But the western bloc will reserve the right to send reinforcements in a crisis.

Mr Clinton also held out the prospect of rapid progress towards a new round of strategic arms cuts, known as Start-3, as long as Russian parliamentarians swallowed their objections to the Start-2 treaty, which many of them regard as unfair.

To those Russian politicians in full possession of the facts, the Clinton offer came as a blessed relief. For all its bluster, Russia could hardly afford to challenge the US in a new arms race, at a time when its economic integration with the west is deepening.

Indeed, the waning of Russia's influence on several fronts, including the European security scene, has given a perverse new lease of life to bilateral ties with the US. At times of weakness, the ghost of the old "superpower" relationship, and the fanfare that still attends US-Russian summits, provides Moscow with a badly needed diplomatic lifeline.

Less has been heard of late about Russia's old dream of driving wedges between Germany, or western Europe as a whole, and the US. If anything, Russia has appeared recently to treat Nato expansion as a bilateral issue between itself and Washington.

To compound its humiliation, Russia's original hopes of turning the Commonwealth of Independent States into an effective strategic alliance, and hence a counterweight to an expanded Nato, have been dashed.

Only two CIS members, Armenia and Belarus, could be described as close strategic partners of Russia. The influence Moscow forfeited in many ex-Soviet republics during two years of war in Chechnya has yet to be regained.

As commercial and security relations between several of their southern neighbours, such as Ukraine, Georgia and Azerbaijan, steadily improve, Muscovite politicians have begun complaining of the emergence of an anti-Russian front within the CIS.

But as spring comes to Moscow, there are hints in the air of a more coherent and imaginative foreign policy, both within the former Soviet Union and much further afield.

One such sign is the gradual acceptance, in both mainstream and even nationalist foreign policy circles, that Nato's expansion in northern central Europe does not pose an unbearable threat to Russia's interests – which are more likely to be threatened in central Asia (by Turkey or Pakistan) and possibly the Far East.

There are also indications of a more pro-active Russian policy in the CIS. Expectations of a thaw in ties between Russia and oil-rich Azerbaijan were raised, perhaps prematurely, when Mr Aman Tuleyev, at the time minister for CIS relations, last month denounced the despatch of large amounts of Russian armour to Armenia.

And in the last week of March, Mr Yeltsin reminded the world of Russia's status as an Asian power by playing host to senior figures from India and China, as well as despatching one of his most trusted advisers, Mr Sergei Shakhrai, to Japan.

Mr Shakhrai's stated mission was to study Japan's experience in "consolidating the ruling elite around a national revival and economic growth programme". But with many of Russia's elite more concerned about their commercial fortunes than anything else, this consolidation has a long way to go.

The foreign minister, Yevgeny Primakov: much of his time is spent in damage limitation exercises

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- Area: 17,075,400 sq km
- Population: 148.1m (end year 1995)
- Language: Russian and local languages
- Main cities and population (1994):
  Moscow (capital) 8,793,000
  St Petersburg 4,883,000 Novosibirsk 1,418,000
  Nizhny Novgorod 1,425,000 Yekaterinburg 1,347,000
- Currency: 1 Rouble (Rbs) = 100 Kopeks
  Exchange rate: 1996 average $1 = 5121 Rbs, April 1 1997 $1 = 5738 Rbs

Government and constitution

Head of state
The president, elected for a four-year term, currently Boris Yeltsin

National government
The government appointed by the prime minister, currently Viktor Chernomyrdin.
The present government was formed in December 1992. Last major cabinet reshuffle, July 1996

Legal system
Federal state with republican form of government. A new constitution was adopted in a national vote on December 12 1993.

National legislature
The constitution created a two-chamber legislature: the lower house, the State Duma, with 450 deputies elected on a territorial basis; and the upper house, the Federation Council, with 178 deputies, two from each of Russia's 89 republics and regions.

Electoral system
Universal direct suffrage over the age of 18. Half of the State Duma members are elected from party lists, and half in a simple majority contest. A party failing to gain at least 5% of the total vote cannot win parliamentary seats. The Federation Council is composed of heads of regional executive and legislative bodies

National elections
December 17 1995 (parliamentary); June 16 and July 3 1996 (presidential); next elections due in December 1999 (parliamentary) and June 2000 (presidential)

Main political parties
Communist Party of the Russian Federation (CPRF); Our Home is Russia (OHR); Liberal Democratic Party (LDP); Yabloko; Agrarian Party of Russia (APR); Russia's Democratic Choice (RDC); The Women of Russia; Congress of Russian Communities (CRC)

Sources: Datastream; EIU

Economic summary

	1996(f)	1997(f)
Total GDP, current prices ($ bn)	450.7	n.a.
Real GDP growth (annual % change)	-6.0[1]	1.0
GDP per head ($)	2,998	3,134
Inflation (annual % change in CPI, average)	48.0	18.0
Industrial production (annual % change)	-5.0	1.0
Unemployment rate, ILO definition (%)	9.0[1,2]	9.8[1,3]
Reserves excluding gold, December ($bn)	11.7[1]	n.a.
Government budget balance (% of GDP)	-7.5[1]	-6.7
Foreign debt ($million)	114,102	118,174
Current account balance ($million)	16,057	8,465
Merchandise exports ($million)	70,991	70,301
Merchandise imports ($million)	-44,462	-48,792
Trade balance ($million)	26,529	21,509

[1] Actual [2] Annual average [3] February (f) forecast

Main trading partners (Share of total trade to world, 1995)

Exports		Imports
62.8%	Western countries	60.0%
12.2%	Former CMEA	11.3%
25.0%	Developing countries and others	28.7%

Continued from page 1

authorities and entrepreneurs reluctant to surrender hard-earned local revenues to the insatiable msw of the Kremlin, that has plunged the country into fiscal crisis.

An influential Russian economist, Mr Andrei Poletayev, is one of the people who makes a living out of tracing the shape of that crisis. His professional adventures have recently brought him np against what he plaintively calls the "disdain for due process".

Mr Poletayev has won a measure of local fame as the economic sleuth who discovered that Goskomstat, the state statistical agency, had massaged the numbers to produce e much lauded slight rise in gross domestic product at the beginning of this year. Mr Poletayev was furious about the statistical sleight of hand, seeing it as part of a wider ebuse of information.

"When informatioo is subject to political interests it is very dangerous. Tbis isn't just about statistics, the same ettitude was taken during the cover-up of tbe war in Chechnya," he fumed.

What distressed him even more than tbe statistical manipulation itself was the initially tolerant reaction of the Russian press.

"One Russian journalist even told me, 'but this is a good thing. The better GDP figures will deceive the International Monetary Fund and there will be more money for Russia'. "It is very bitter to me that my people, including the journalists, do not understand bow bad it is when the government deceives them."

Yet Mr Poletayev's complaints are themselves proof tbat Russian society is cbanging. Some Moscow economists suspect tbat it was disgruntled Goskomstat statisticians, angered et again being forced to work to a Kremlin dictat, who first leaked the story.

This episode of personal liberation in the dismal corridors of Goskomstat is just a tiny example of the greatest achievement of post-communist Russia – a national emancipation that has made ordinary Russians freer, if less secure, than they have been at any other time in their history.

It is just possible to imagine that this human revolution will help Russia safely to meet its final, and perhaps most daunting, challenge: the need to forge a new national identity. This is a pressing issue for Moscow: whereas other countries won national independence when the Soviet Union disintegrated, Russia lost an empire.

Many Russians feel this imperial contraction as e personal loss.

"Personally and emotionally, of course, I regret it," explains Mr Boris Berezovsky, s car salesman turned politician who is now deputy bead of the security council.

"I was born in a country called the Soviet Union. Subconsciously I always understood that f lived in the greatest country on earth. That sense of graatness made it possible to feel not only a sense of enormous spaces, but also of enormous possibilities."

Russia's neighbours still worry that this personal longing for a lost sense of greatness will eventually translate into an attempt to rebuild Russian hegemony.

So far, the pain of Russia's imperial amputation has been numbed by economic dislocation, but even in its current, weakened state, Moscow still sometimes tries to flex lost imperial muscles. The ignominious Chechen war was the most bloody example, but more innocuous gestures such as Moscow's failure to sign a territorial treaty with neighbouring Ukraine or its continued whimpering about the increasingly prosperous Russian inhabitants of tha Baltic republics spring from the same instinct.

Yet, in Mr Berezovsky's view, Russians are coming to feel that their loss of empire may be compensated for by the gift of personal liberty.

"Personally you felt that you lived in a system which was superior to the others, and that is why, for the majority, what has happened is very painful," Mr Berezovsky explains. "But more and more people understand that the system wa had was against nature. It oppressed the individual."

There are grounds to hope that, when forced to choose, Russians will opt for their naw freedoms rather than their old sense of greatness. That was certainly the message of Mr Yeltsin's recent summit meeting with Mr Bill Clinton, the US president, in Helsinki. Unable to stop Nato's planned eastward expansion – a measure that will dry the ink on Russia's cold war defeat – Mr Yeltsin nonetheless pledged to continue pursuing a peaceful partnership with the west.

As he explained to the Russian people in a radio address on his return, Mr Yeltsin judged that his country had no choice but graceful surrender.

The price of reclaiming its lost imperial prerogatives – "isolation" – was too high.

For Lenin, a tireless warrior for tha cause of world communism, such an admission would have been anathema. It would have been equally unwelcome to Russia's tsars, who were careful to admit only as much western know-how as they required to build their autocratic state into a great power.

Russia's best hope is that the new rulers who have set out to bury the Bolshevik chief will also firmly relegate the nation's older, tsarist spectres to the dust bin of history. If they succeed, a vibrant new Russia may emerge, animated by millions of new spirits that have never before been free – those of ordinary Russians.

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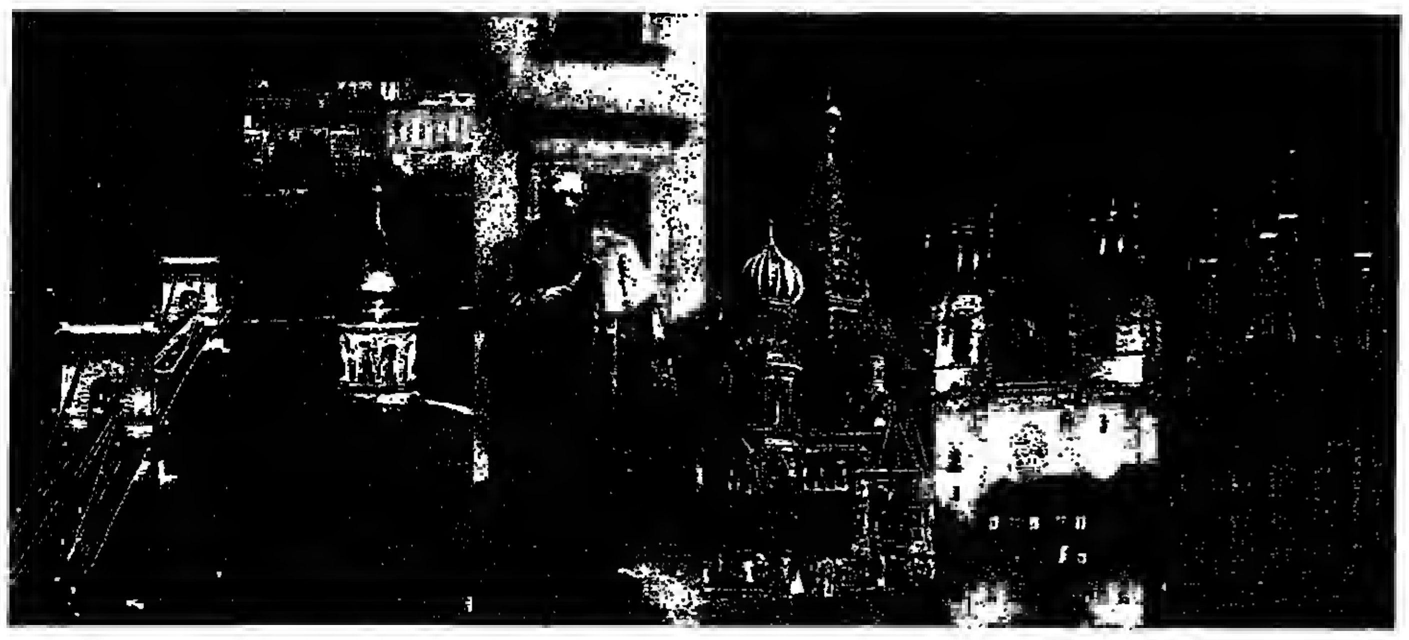

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PROFILE Boris Berezovsky

Difficult days for 'overnight billionaire'

The businessman turned politician is a symbol of the new Russia – and its dangers

Berezovsky: society is 'negative' about what he represents James Hill

With his fidgety hand-wringing and deliberate speaking style, Mr Boris Berezovsky could ba mistaken for the otherworldly academic he once was. But, these days, the pen he plays with nervously is a silver Montblanc and his careful words set a fleet of retainers scurrying.

The wavs of violent changa tbat has swept across Russia over the past decade has been particularly kind to Mr Berezovsky, who has metamorphosised from a designer of assembly lines into one of the new Russia's most prominent tycoons.

Less than a decada ago Mr Berezovsky was a mathematician buried in the creaking belly of the Soviet centrally planned economy. Today, he presides over an empire that includes interests in the country's biggest television channel, an oil company, and a chain of car-dealerships.

To avoid a conflict of interest while serving in the Yeltsin administration, Mr Berezovsky has tamporarily handed over tbe management of his businesses to United Bank. But despite this protective move, his rags-to-riches tale has inspired fierce criticism.

He is a focus for the larger concern that in Russia big business has grown too close to government. A key figure in Mr Boris Yeltsin's successful re-election campaign last spring, Mr Berezovsky was rewarded with a job in the Kremlin where he serves as deputy head of the national security council.

The really explosive allegation, made in a Forbes magazine article last year, is that Mr Berezovsky runs e criminally corrupt business organisation that has close links to the mafia and has used murder as a professional tool. Mr Berezovsky denies tha claims and has initiated libel actions, paying $100,000 for the services of Mr Peter Carter-Ruck and Mr George Carman, two of the UK's most successful libel lawyers.

Domestically, Mr Berezovsky has also been at the centre of a scandal that has highlighted the potentially swkward fact that, like most of the new Russia's magnates, he is Jewish.

Shortly after Mr Berezovsky's nomination to the security council, Izvestia, a national newspeper, revealed that he held citizenship of a foreign country – Israel. Eventually, Mr Berezovsky conceded that he had taken out Israeli citizenship in 1994 when a communist or nationalist backlash seemed possible, but said he relinquished it in 1996.

At the storm's eye of these controversies, Mr Berezovsky remains unapologetic and continues to play a guiding role in Russia's economic and political development.

As he answers questions in his ornate social club, he admits the Russian people are beginning to chafe against the links between a small group of big businessmen and the government.

"The society is very negative towards this transformation of business into political life," Mr Berezovsky says, having paused a few moments earlier to take a telephone call from a cabinet minister. "I do not think this is a crucial point, but we must pay attention to it."

Despite the social resistance, however, Mr Berezovsky is convinced Russia's band of nouveaux riches has a right, indeed a duty, to lead the political process and to improve living conditions for everyone.

"No-one else is able to reduce poverty and to create a middle class," he says.

Mr Berezovsky has seized on this new public role for capital with a vengeance. He has embarked on a spree of charitable giving, earning himself the award of Philanthropist of the Year.

At the same time, he has begun to court the media. To make sure he gets it right, he has even hired a US-based public relations company, Edelman.

Many observers see Mr Berezovsky's energetic campaign to clean up his public imaga as part of a wider transformation among Russia's overnight billionaires.

As Mr Igor Malashenko, the president of NTV, the country's only private television station, puts it, Russia's new tycoons are following in the footsteps of the American robber barons, who went from the edges of legality to the heart of tha establishment in just a few generations. The only difference, he says, is that in Russia they are attempting to compress this transformation into just a few years.

"It is no accident thet Mr Berezovsky has gone into politics. Logically, it should have been his son or grandson who did it, but he wanted to accomplish this transformation in his own lifetime," Mr Malashenko says. "Moreover, Berezovsky is not unique, he is simply more visible than the others."

The big question is how readily Mr Berezovsky and those others can develop their flair for acquisition into the more complex talent for management.

Mr Berezovsky admits: "You need one type of capacity to acquire and another capacity to manage."

It is not just Mr Berezovsky's fate, and that of his peers, that will be shaped by their ability to learn the foreign skills of management. The future of Russia as a whole will largely depend on whether the new magnates can become good managers – and on how jealously they hang on to their assets even if they fail.

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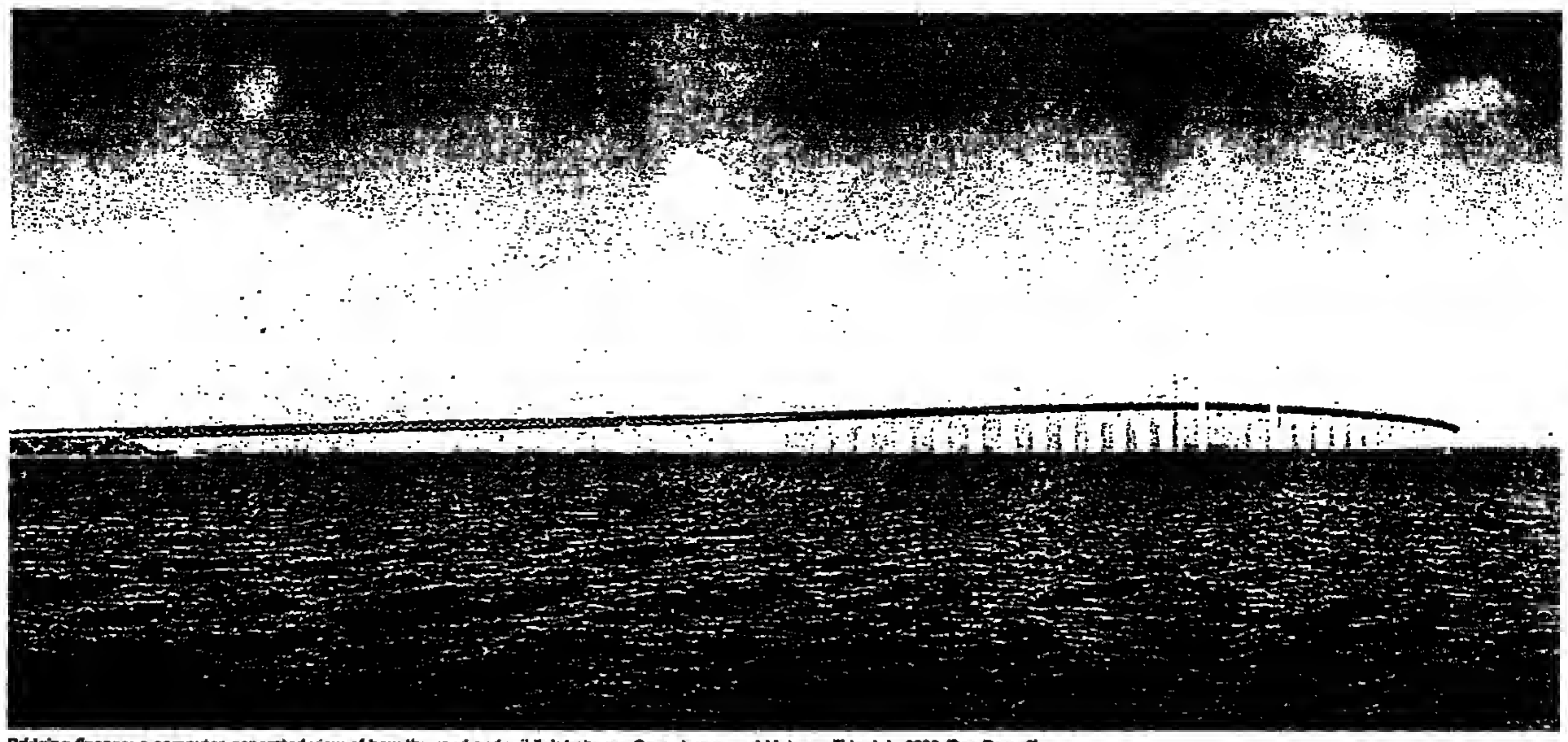
FINANCIAL TIMES SURVEY Wednesday April 9 1997

DANISH BANKING AND FINANCE

The economic outlook promises a year of rising activity, but there are problems on the horizon, write **Hilary Barnes** and **George Graham**

Calm now but choppy waters ahead



Bridging finance: a computer-generated view of how the road and rail link between Copenhagen and Malmo will look in 2000 (See Page 6)

The Danish finance industry is in a period of relative calm after the turmoil of the early 1990s, when the banks, almost without exception, suffered heavy losses caused by recession, falling asset values and the consequent surge in bad loss provisions.

But the Danish banks were protected by legislation requiring them to be more strongly capitalised than banks elsewhere and by an active and efficient supervisory agency. As a result, they were able to weather the crisis and did not suffer the more serious consequences which afflicted the Swedish, Norwegian and Finnish banking sectors.

The state did not have to come to the rescue of Danish banks, and neither did the government feel the need to issue a blanket guarantee to bolster confidence in the banking sector.

The insurance industry suffered the most. Two holding companies embarked on speculative ventures and this caused the collapse in 1993 of the country's two largest insurance groups, Baltica and Hafnia, neither of which has survived as independent entities.

The structure of the banking sector itself was settled in 1989-90, when the six largest banks were merged to form Den Danske Bank and the Unidanmark (Unibank) group.

The domestic market ~~share of each of these banks~~ is around 30 per cent, which limits the scope for further concentration at the top end of the banking league.

However, there is plenty of opportunity for changes to take place further down the list. With 180 banks and savings banks, many of them tiny village concerns, mergers are bound to occur. But Mr Thorleif Krarup, chairman of the Danish Bankers' Association and chief executive officer of Unibank, doubts whether there will be any significant new structural changes unless there is another crisis.

If the structure of ownership in the finance industry seems to be stable for the time being, this is not true of the day-to-day business operations. The barriers between the different segments of the industry are gradually disappearing. The process began in the 1980s and was helped in some cases by legislation to bring it into line with EU rules.

The most obvious example is in mortgage credit. Until 1993, this remained a government-created (but not government-owned) oligopoly of three institutions which, in accordance with the regulations, provided finance only for property needs. Now the commercial banks have moved into the mortgage market. In addition, mortgages, especially supplementary mortgages, are being widely used as a vehicle for non-property financing.

The banks have also moved into insurance. Danske Bank through its ownership of Danica, the life assurance arm of the former Baltica group, has become a leading participant. Danske and Unibank are also using their branch networks as distribution channels for the sale of accident insurance.

One result of the blurring of these boundaries is that competition has intensified and margins in the banking and mortgage businesses have narrowed. The entrance into the accident insurance business by the big banks is likely to prevent the big insurers improving their results by increasing premiums.

Adding to the competition is the entry of foreign banks, which have been bidding especially for corporate business, and less traditional newcomers, such as GE Capital, in consumer finance, and the co-operative retail group, FDB, which is considering whether to offer financial services to the 1.2m persons holding its membership card.

The existence of Denmark's PBS (Pengeinstituternes Betalings System), the payments group, which is one of the world's leaders in debit and stored value cards and electronic banking security, simplifies the process for newcomers to the market by offering a ready-made communal infrastructure.

While Danske and Unibank have set up their own mortgage credit subsidiaries and gone their own ways in insurance, the third-ranking bank, BG Bank, formed in 1995 by a merger of Bikuben, flagship of the savings bank movement, and Girobank, previously owned by the state, has an alliance with Nykredit, the largest of the mortgage credit associations, and insurance company Topdanmark. It is assumed that this alliance will be consummated by a merger, but this is a step which is fraught with difficulties.

Under present legislation, such a merger requires that the mortgage credit institution should become the controlling owner. This is not an attractive proposition for a large bank.

A merger with a bank also creates problems for a mortgage credit institution. The main advantage of merging with a large bank is to acquire distribution channels for mortgage products. However, there are two drawbacks. First, the mortgage institution would lose business from other banks. Second, if most of the business is to be done through bank branches, the mortgage credit institution would have to cut its staff, according to senior industry observers. For the moment, therefore, the alliance appears to be stalled.

At the banks, Mr Knud Sorensen, chief executive officer of Den Danske Bank, and Unibank's Mr Krarup see the narrowing of margins on traditional lending and on deposit business, and the difficulty of earning a satisfactory return on core banking business, as a significant challenge.

So far, they have met this challenge by diversifying into mortgages and insurance, while, at the same time, cutting their staff. Expansion abroad also offers opportunities to compensate for sluggish growth at home.

Den Danske Bank has taken this road with its recent agreement to buy Ostgota Enskilda Bank in Sweden. This acquisition will give the Danish bank a useful retail base in Sweden on which to build, as well as strengthen its bid to gain corporate and investment banking business on the other side of the Sound.

Unibank has no plans to enter retail banking abroad, but made an important advance into Nordic investment banking when it bought Aros, the Nordic broking and investment banking arm of ABB (Asea Brown Boveri), last year.

There is one consolation for the hard-pressed Danish banks – the domestic market is sufficiently competitive to make it unattractive to other EU banks.

"I don't see the risk at the moment of any foreign mortgage lenders coming into Denmark; you can't make any money here," said Mr Mogens Munk Rasmussen, chief executive of Nykredit.

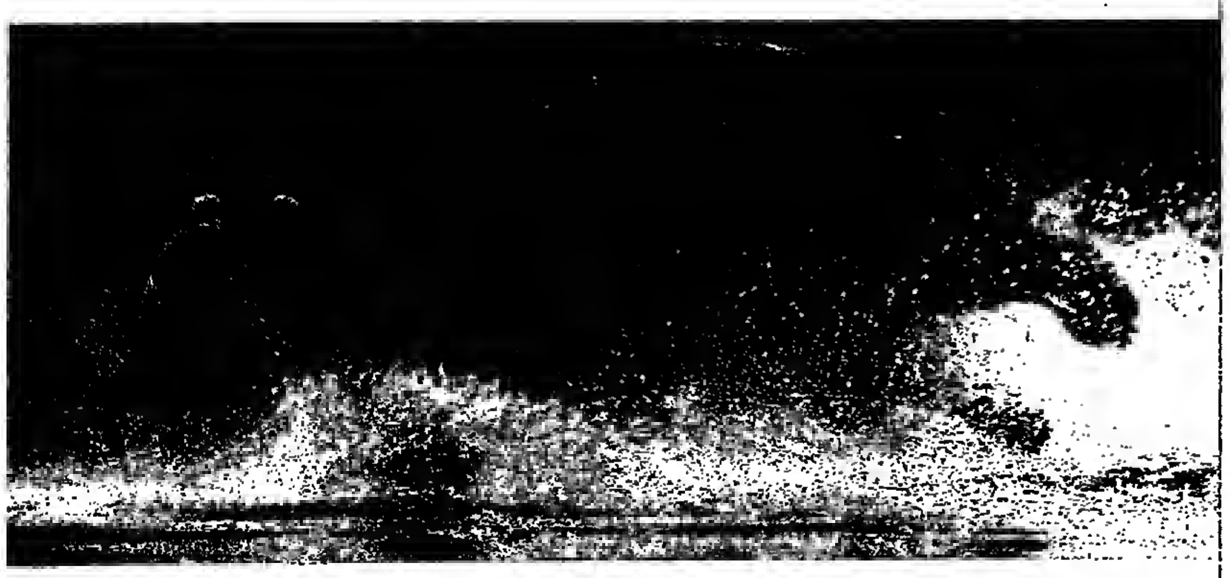
The imminence of economic and monetary union also poses problems for Danish banks. Denmark will not participate in the first wave of Emu, but the arrival of the euro currency will have some consequences for the banking sector.

Most banks believe they will have to offer dual currency facilities, at least to corporate customers. In the mortgage market, too, the euro could have an effect on funding. With liquidity slowly dwindling at home,

Continued on page 6

IN THIS SURVEY

Nordic Power.



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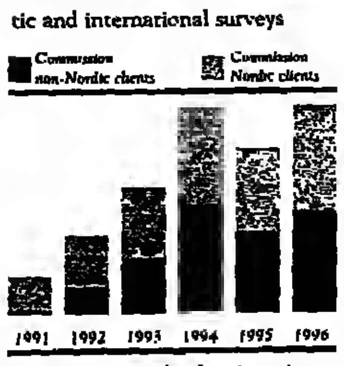

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Selected Danish Corporate Finance Transactions 1996 and 1997.

The Kingdom of Denmark
Sale of 2.45m shares in Bikuben Girobank A/S
Adviser to The Kingdom of Denmark
February 1996

The Kingdom of Denmark
Secondary offering Copenhagen Airports A/S
DKK 1,089m
Junior Co-manager
April 1996

Carli Gry
IPO
DKK 581m
Global Coordinator
May 1996

Secondary offering
DKK 254m
Sole Manager
July 1996

NCC
Acquisition of the Danish construction activities of Rasmussen & Schiøtz Holding A/S
DKK 310m
Adviser to NCC
September 1996

BOREALIS
Borealis Industrier AB sold to Lear Corporation
USD 85m
Adviser to Borealis
December 1996

InWear Group
IPO
DKK 880m
Senior Co-lead Manager
December 1996

ISS
Disposal of ISS Inc. to Aaxis Limited
Financial adviser to ISS
January 1997

DANSKE TRÆLAST A/S
Vendor placing of Danske Trælast shares on behalf of Rieber & Søn ASA in connection with the acquisition of Neumann Bygg AS
DKK 232m
Sole Manager
February 1997

SYDBANK
Block trade on behalf of Topdanmark A/S
DKK 459m
Sole Manager
March 1997

CHEMINOVA
Increase of shareholding in Hardi International A/S to 75 per cent
Financial adviser to Cheminova
March 1997

Rieber & Søn ASA
Public takeover of A/S Phønix Contractors
DKK 876m
Financial adviser to Rieber & Søn
April 1997

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BANKS • by George Graham

Competition is getting tougher

The dominant position of the two leading institutions is now under threat

A strong capital basa and robust loan loss provisions kept Denmark's banking system from running into the sort of crisis that afflicted its Nordic neighbours at the start of the 1990s.

Nevertheless, the recovery in profits that Danish banks have seen over the past five years has been welcome. From an aggregate loss of Dkr10.5bn in 1992, the banking sector as a whole has recovered to record pre-tax ordinary profits of Dkr14.8bn, helped by a sharp decline in bad debt provisions and write-offs, and by two years of favourable revaluations of their securities portfolios.

But in a highly concentrated banking market showing intense pressure on margins and few signs of expanding damand for credit, Danish banks still face a difficult future. "In a year when you have a weak figure on your securities portfolio revaluation,the underlying profits from the business are not strong enough to make it worth banking in Denmark," says Mr Bjarne Jensen, a banking industry consultant.

The two largest banks, Den Danske Bank and Unibank, between them hold nearly 60 per cent of total banking assets. The merger of Biknben and Girobank has created a third contender, BG Bank. Though it trails some way behind with a market share of around 14 per cent, it has ambitious growth plans, especially in the corporate sector.

Behind them, seven banks, headed by Jyske and Sydbank, could be described as medium-sized, and between them command about 13 per cent of the market. The remainder is shared between almost 200 tiny institutions.

Tha degree of concentration is somewhat exaggerated by the segregation of mortgage lending, which in Denmark is carried ont within a paculiar legal framework. Nevarthaless, market power remains overwhelmingly in the hands of DDB and Unibank.

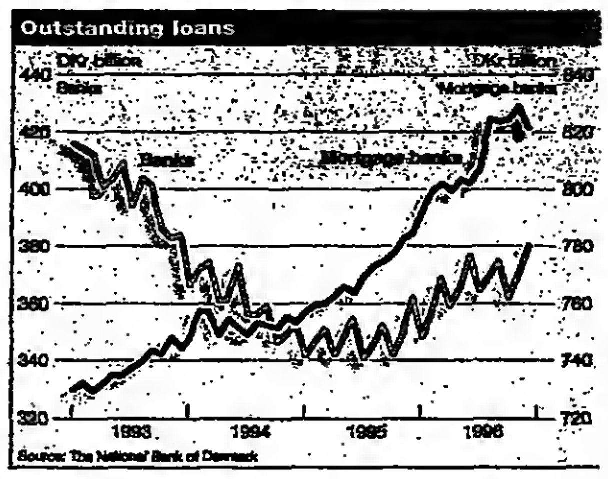
Their profits and their dominant position are now under threat, however, not only from the small banks, which have built on fierce local loyalties to hold their own in the market, but also from new competitors.

Foreign banks, snch as Sweden's SE-Banken, have been expanding in Denmark, while less traditional financial services groups have also targeted the Danish market, including Norway's Finax, which has made inroads into the consumer credit market with its Accept card.

Perhaps more threatening still, though some way off, is the possibility that the FDB co-operative retail group, with 1,200 stores throughout Denmark, might launch its own financial services. FDB says the project is still two to three years from fruition, bnt the prospect of its attaching credit and payment facilities to its membership card, already held by 1.2m customers, is daunting.

These new entrants have been attacking a fairly static credit market, and although economic activity is expected to pick up from the slow growth rates of 1995-96, loan demand is still expected to rise only moderately.

Den Danske Bank: expanding into mortgages and life assurance



The response of the big banks has been to expand outside their core business, into the one market segment where lending has been growing significantly: mortgages. In this area, which was until recently reserved to the traditional mortgage banks, DDB and Unibank have been building market share rapidly since the establishment of their mortgage banking subsidiaries in 1993. Bnt interest margins on mortgages have come under intense pressure, and loan volume has been insufficient to maintain net interest income.

DDB and Unibank have also expanded into the growing life assurance market, with DDB well in the lead through its acquisition of the Danica life business in a 1995 deal involving Baltica, a company the bank had saved from insolvency by increasing its stake to 92 per cent, and Tryg, which took over Baltica's non-life business.

Although Danica had been losing market share, it still has 18-19 per cent of the life market, and Mr Knud Sorensen, DDB's chief executive, says the group has had some success in cross-selling between its different units.

Unibank's life operation was established in 1994 and could take years to build up. DDB has also taken the lead in expanding overseas, with the recent SKr2.2bn acquisition of a controlling stake in Ostgota Enskilda Bank, Sweden's last remaining provincial bank. Mr Sorensen said the acquisition, which will give DDB a amall branch network in southern Sweden, was a unique opportunity to break into the Swedish market. "If we were to build up a similar branch network ourselves, it would be very expensive and would take time," he said.

But he remains sceptical about rumours of larger mergers in the Nordic region. "I don't believe in cross-border mergers. However close we are in the European Union there are differences of culture and perception," he said.

This kind of expansion may help Denmark's biggest banks to break out of their stagnant traditional markets, but both will face continued pressure to cut costs and to manage their core businesses more effectively. DDB has already cut its staff by around 30 per cent since 1990, yet earlier this year it announced another round of redundancies.

Unibank also expects to make a net reduction in jobs of around 500 this year, with BG Bank likely to cut 300 jobs during the year. All told, employment in the Danish banking sector is expected to fall by around 2,500 this year to 41,800, with a similar reduction in 1998.

While Denmark has been quick to adopt new technologies such as on-line debit cards, telephone and PC banking, which have the potential to reduce unit costs, the banks have also been trying to encourage their customers to use less costly channels such as ATMs.

This has meant the imposition of fees for certain branch-based services. Though some customers have been irritated, banks believe they are gaining acceptance. Branch closures, however, are not seen as offering much in the way of cost savings. "I believe we have reached a reverse saturation point in reducing the number of branches," Mr Sorensen of DDB said.

The pressures are even more intensely felt by the medium-sized banks. "The trend to fully integrated financial groups will continue to put pressure on specialised financial institutions, particularly independent mortgage institutions and the second and third tier banks. Given these pressures, we believe that in the longer term the Danish financial sector will undergo further consolidation and restructuring," Moody's, the international credit rating agency, concluded in a recent report on the Danish banking sector.

But with most banks still awash with capital, it might take another bad debt crisis to put them under enough pressure to consider merging or being taken over. "For the time being Danish banks are in a very good economic condition, and therefore the pressure to make drastic changes is not very much in the picture." Mr Sorensen said.

Leading banking groups (DKrm)

	Nykredit group	RD	BRF	BG Bank	Den Danske Bank Group	Unidanmark group
Net income from interest and commissions	4,035	2,793	1,223	6,350	9,585	9,203
Overheads	–1,278	–1,007	–464	–4,369	–6,175	–6,507
Write-offs and loan loss provisions	–312	–103	–111	–468	–637	–963
Gain/loss on securities	715	407	289	425	2,623	1,089
Extraordinary items	–2	–210	–229	–370	–754	–464
Profit before tax	3,158	1,880	707	1,568	4,642	2,337

Source: Nykredit

ECONOMY • by Hilary Barnes

Outlook is bright

A crucial challenge facing the government is to bring down the rate of inflation

Unemployment in Denmark is down to around 5.5 per cent, according to the EU-harmonised statistics, and youth unemployment is among the lowest of any EU country. These are figures which have caused more than one of Europe's central bank governors over the past few months to suggest that Denmark's performance is something that other countries should be examining and possibly emulating.

Mr Mogens Lykketoft, the country's self-confident minister of finance, would agree with this assessment without any reservations. Indeed, as he runs his eye down the list of key indicators he has a lot to smile about.

The general budget will be in balance in 1997 and 1998. The exchange rate is stable at its central ERM rate and the official discount rate, at 3.25 per cent, is the lowest since the late 1940s.

The balance of payments is in comfortable aurplus equal to less than 1 per cent of GDP. Inflation has edged up to about 2.6 per cent, one of the highest rates in the EU, but this is not exactly alarming. The GDP growth rate in 1997 and 1998 is expected to be between 2.7-3.2 per cent.

"The outlook for the economy at the beginning of 1997 is brighter than it has been for a long time," according to the annnal report from Danmarks Nationalbank, the country's central bank, published last month.

Nothing to worry about? Well, as Mrs Bodil Nyboe Andersen, governor of Danmarks Natiooalbank, said when presenting the bank's 1996 accounts, it is when everything is going well that one must be on one's guard.

The risks to stable growth arise from a danger of overheating in the economy, as Den Danske Bank's March economic outlook has warned. The recovery is driven by domestic demand, especially by private consumption, which rose by almost 3 per cent in 1996 and is expected to continue to increase by about 3 per cent a year in 1997 and 1998.

Investment in residential housing has also picked up, which, Den Danske Bank's economists say, could lead to labour market bottlenecks, triggering wage pressures.

Wage rates in industry rose by about 4 per cent in 1995 and 1996. The outcome of a round of collective wage bargaining this spring seems likely to lead to a similar rise in 1997.

Export performance has been dull. Exports of manufactured goods were static in 1996. Demand was slack in the country's important continental markets as well as in Sweden, but a deterioration in the cost-competitiveness of Danish industry has also held back axports, which, after gaining market share between 1988 and 1993, has since experianced a slackening in demand.

Although wages have risen faster than elsewhere over the past few years, a more important factor contributing to a rise in export prices has been a gradual appreciation of the krone. From a low point in 1992, the krone has since strengthed by about six percentage points. Danish industry's relative international costs have risen by about 8 per cent over the past four years, while inflation has gradually moved from being among the lowest in the EU to one of the highest.

A crucial challenge facing the country, according to the central bank, is to bring down inflation to the levels achieved by the EU'a core countries. France, Germany, Belgium and the Netherlands. Because the central bank's monetary policy aims to stabilise the exchange rate, it does not have an inflation target. Controlling inflation is primarily a matter for the government.

The central bank is therefore urging the government to tighten fiscal policy when the 1998 budget is presented in the autumn. It argues that if care is not exercised the country will be faced with the re-emergence of the classic dilemma in Danish post-war economic history – inflation which is higher than in the countries important for foreign trade and a current account deficit.

The bank points out that the government's target is a surplus on the budget over the average of a business cycle. However, after a recovery which is now into its fourth year the budget is ooly just in balance. A tighter rein on public finances is necessary if the government's target is to be met, says the bank.

The upswing in the economy began in 1993 when a new minority coalition government, dominated by the Social Democratic Party, took office. Mr Lykketoft inherited a massive current account surplus (about 3.5 per cent of GDP) and was able to give domestic demand a substantial boost through fiscal policy. Falling long-term interest rates in early 1994 gave an additional lift to the economy.

Mr Lykketoft's policy has contributed to an increase in employment from 1993 to 1996 by abont 62,000 to 2.54m. Unemployment has fallen by abont 100,000 to 246,000, or 8.8 per cent, as measured by Danmarks Statistik, the statistical office.

An important factor in reducing unemployment is an increase of about 118,000 in persons who have taken early retirement or who have exploited the popular leave-from-work programme. This is a scheme that allows employees to take up to a year off work for study, or to enable parents of children under school-age to stay at home, while receiving social security compensation.

Another important reason for falling youth unemployment is a tightening of the benefit system. The under-25s cannot now obtain unemployment benefit for more than six months without accepting either a make-work job or starting a course of vocational training.

Because of the recovery, the general government budget has moved from a deficit of about DKr31.7bn (3.4 per cent of GDP) in 1994 to a projected surplus of about DKr600m in 1997.

While the short-term economic outlook seems to be set fair, there is much controversy over the longer tarm outlook. The main issues under discussion are the impact of the ageing population on government budgets and whether the burden will be sustainable.

Mr Lykketoft is optimistic. He argues that with normal rates of growth the country will become 40 per cent richer in 15 years, and wealthy enough to sustain a generous welfare state.

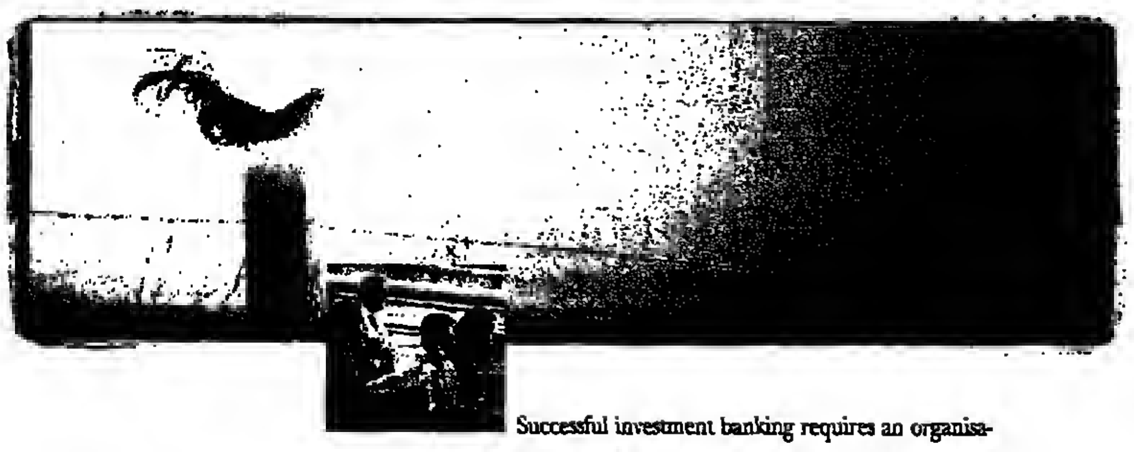
Mr Lykketoft aims to reduce unemployment further from 8.5 to 5.5 per cent (according to Danish government statistics), and use sound budget policies to reduce the national debt (just over 60 per cent of GDP at present). This will also reduce the burden of interest payments. The task of supporting the ageing population will not require further increases in the tax burden, which at present is abont 49 per cent of GDP, he says.

Sceptics, including academic economists and opposition politicians, argue that the Danish welfare state offers too many people a way of life, temporarily or permanently, in which they do not have to work.

The leave-from-work scheme and early retirement schemes (which have pushed the normal retirement age down from 67, the age at which the universal old age pension becomes available, to a de facto average of 61) are the examples most often cited by the critics.

But with an election coming next year – it must be held by September, 1998, at the latest – the government is adamant that it will not tamper with the early retirement programmes.

Due Diligence



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The bond market in Denmark is literally "as safe as houses", thanks to a disaster in Copenhagen 200 years ago.

In 1797 Copenhagen, which at the time was mostly built of wood, was devastated by fire. The immense damage to property in the Danish capital overwhelmed the small domestic insurance market. As a result, individuals raised funds to rebuild by pooling their financing requirements and issuing bonds, creating a mortgage bond market in the process.

Since the middle of the 19th century tha mortgage credit market in bonds has thrived. Today it remains a widespread means of mortgage credit, by which property purchases have been – and still are – financed almost exclusively by bonds issued by mortgage credit institutions.

The principles of the market are the same today as they were 150 years ago when the first formal mortgage loan act was passed in 1850. A typical borrower buys a house by going to a mortgage credit institution and getting a 30-year loan for 80 per

BONDS • by Richard Adams

Market developed out of a disaster

The finance industry is trying to stimulate foreign interest in mortgage bonds by introducing new instruments

cent of its value, relatively cheaply on a fixed interest basis. The mortgage bank sells bonds to balance the loan, in series through the stock market.

The mortgage bond market continues to outstrip the Danish government's treasury debt market in size. In 1996 the government bond market was worth DKr707bn, while the mortgage market was worth more than DKr980bn. As a result, Denmark has a huge bond market, the largest of any country if measured per head of population.

Where the two bond markets differ is in the level of foreign ownership. The government bond market has proved highly attractive to overseas investors in recent years, who now account for around 35 per cent of Danish debt. In contrast, the mortgage market's overseas ownership remains small.

Mr James Mitchell, a senior strategist specialising in Nordic markets at Deutsche Morgan Grenfell, said: "Foreign investors are just starting to get interested in the mortgage market, but they only own about five per cent so far."

Most mortgage bonds carry a risk premium and yields about a percentage point higher than the yields on similar government debt, and they have an excellent redemption record.

But what has turned away most overseas interest so far has been the highly complex structure of the domestic mortgage market. The mortgage bonds are annuities and are callable. Overseas investors, unused to sizeable markets in mortgage bonds, want instruments which are non-callable bullets, the same as government bonds.

Mortgage bonds can be redeemed by the borrower if they are trading at their par value or above par, in exchange for a new loan at a lower rate of interest.

The mortgage market is also a fiercely competitive one, dominated by six domestic credit institutions: Nykredit, Realkredit Danmark, BRF Kredit, Totalkredit, Danske Kredit and Unikredit.

However, the Danish finance industry is trying to stimulate foreign interest in mortgage bonds by introducing new instruments, which are more attractive to international investors. And there is talk of large European banks moving into the market.

The government bond market has no such difficulties attracting overseas interest. In comparison with the ancient origins of the mortgage market, the market in government debt is new. It developed in the 1970s when the international oil price shocks sent the Danish budget heavily into deficit.

The Danish treasury market is not as liquid as its neighbour Sweden, owing to the smaller market and the greater willingness of Swedish investors to take risks. Like the mortgage market, the government market is dominated by a small group of institutions, notably Unidanmark and Den Danske Bank, together with niche banks and broker houses acting as market-makers in Danish bonds.

Together there are a total of about 10 active marketmakers, through a voluntary agreement to make prices in Danish bonds during trading hours.

Only primary dealers are allowed access to buy government stock issues direct from Denmark's Nationalbank, the central bank, which operates a tap market, where series of bonds are sold at or just below prevailing market rates, rather than through a series of bond auctions. The Nationalbank offers a repo facility, but the active market is dominated by repo brokers in Copenhagen and London.

In line with European Union treasury market reforms, the Danish central bank allows "remote membership", making it possible for primary dealers in its stock to be based outside Denmark. The first such primary dealer was the giant French investment agency, Caisse des Depots et Consignations.

There is a danger that outside shocks could send the overseas buyers who now own 37 per cent of Danish government bonds diving for cover, either back home or to a "safe haven" market such as US Treasuries.

But Danish bonds have benefitted in the last 18 months from a fortunate combination of circumstances. In 1996, sharp cuts in domestic interest rates (down by 3 per cent in two years) and the increased investor appetite for peripheral, higher yielding markets, saw Danish bond yields converging towards German yields.

In March 1996, benchmark 10-year Danish government bonds yielded 120 basis points over German bunds. By the start of trading in 1997, the yield spread had narrowed to around 60 basis points.

In recent weeks, however, the yield spread has begun to widen as Denmark's economic recovery begins to mature, with GDP growth again forecast to be above 3 per cent and higher inflation on the horizon.

MORTGAGE BANKS • by George Graham

Home loan industry may be reshaped

Margin pressures are putting the future of home loan institutions into question

In 1797, Denmark's first mortgage bank was set up to help finance the reconstruction of Copenhagen after a great fire had devastated the city.

Two centuries later, Danish mortgage banks are some of the largest home loan institutions in Europe, though by structure and funding they are very different from UK building societies or German Bausparkassen.

But new competition from Denmark's commercial banks has driven down margins in the mortgage market, raising questions about whether these venerable institutions can survive in their present shape.

The defining characteristic of Danish mortgage banks is that they are funded entirely by bond issues – they are prevented by statute from taking deposits.

The banks are required by law to maintain a close balance between assets and liabilities, with bonds issued at interest rates and maturities which match a pool of home or commercial property loans the institution has made, generally at fixed interest rates.

Since borrowers can repay their mortgage on demand – because they are moving house or simply because interest rates have dropped since the loan was first taken out – Danish mortgage bonds, too, are callabla on demand at par.

That makes them a weird security for foreign investors, who can find that a 25-year bond has been called by lottery for redemption after just six months, and have to dive back into the market to reinvest.

Adding to the weirdness is a feature on most older bonds which makes all the borrowers in a particular bond series jointly and severally liable for all loans in that series, but only up to the amount of their own loan. This means that the issuing mortgage banks maintain a sequence of separate reserve funds, and leave many overseas investors confused about the credit risk they are taking on.

International ratings agencies, too, have struggled with the complexities of the Danish system, but Moody's now rates the Danish mortgage institutions.

As a result, although Danish mortgage bonds make up one of the largest private sector bond markets in the world, foreign ownership remains at a scant 5 per cent, even though the total has edged up slightly.

Changes in the law and in the interest rate structure have, however, shaken up the market. Driven in part by the need to harmonise Danish law with EU rules, a 1989 law paved the way for traditional mortgage banks such as Nykredit and Realkredit Danmark to convert from borrowers' associations to limited liability corporations.

At the same time, however, the commercial banks were allowed to set up mortgage hank subsidiaries. Totalkredit, owned by a consortium of commercial and savings banks, was reactivated in 1992, while Danske Kredit and Unikredit, subsidiaries of the two largest commercial banks, were set up in 1993.

The commercial banks' interest was spurred by a decline in their share of new lending and by a further change in the law allowing mortgages at will, instead of only to finance construction.

The change coincided with a sharp drop in interest rates, triggering a re-mortgaging boom, with the commercial banks' subsidiaries rushing to establish a foothold in the market.

Gross new lending halIooned to DKr258.5bn in 1994, but net of repayments, the total was only DKr30.9bn, and of this DKr24.3bn came from Danske Kredit, Unikredit and Totalkredit.

"When you have new suppliers, they always try to compete on price, and they did," says Mr Mogens Munk Rasmussen, chief executive of Nykredit, by far the largest of the traditional mortgage banks with nearly 40 per cent of total outstanding loans.

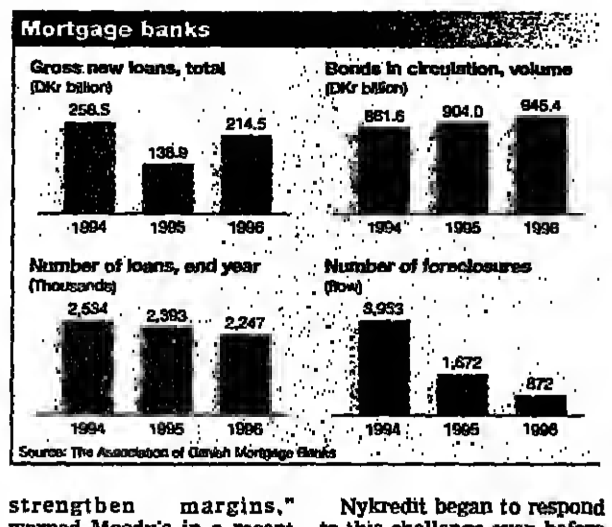
The traditional mortgage hanks are heavily capitalised, and reached into their reserves to match the new entrants, ensuring that the same competition continuedin 1995. In 1996, although the price war eased to some extent, margins remained under intense pressure. Average margins on mortgage portfolios have roughly halved in the past four years to around 0.5 per cent.

Mr Rasmussen says prices have already reached unsafe levels. "The price is too low now. If we had another economic downturn, prices now are not high enough to cover future losses," he said.

The warning is particularly pointed as so much of mortgage lending is now financing other purposes entirely, though regulators still ensure that Danish lenders maintain extremely cautious loan loss reserves.

The traditional lenders have rebounded from 1994. They are capturing a larger share of net lending in an expanding market, fighting back not only on price hut also on service. In the end, however, the three commercial bank subsidiaries have come from nowhere to command one eighth of total mortgage outstandings.

"We believe that hank-owned mortgage institutions that can rely on extensive distribution networks for their products will have a competitive advantage in future years especially in the more profitable private sector. Old mortgage lenders will be faced with reduced flexibility to increase fees and commissions and to strengtben margins," warned Moody's in a recent report on the Danish banking market.



Nykredit has introduced an incentive programme to keep good borrowers loyal, while Realkredit last year launched the Flexlan, a flexihle mortgage with a variety of interest rate options which is so innovativein Denmark that the hank has sought a patent. The Flexlan has the additional advantage that it is funded by a series of non-callable bullet bonds which are much more familiar to international investors than the traditional Danish mortgage bond.

The competitive threat posed by the commercial banks' entry into the mortgage market is not limited to price. By setting up their own mortgage lending operations, Den Danske Bank and Unibank deprived the traditional mortgage banks of a major outlet, forcing them to create their own distribution channels.

"In the old system, mortgage banks worked as wholesale institutions, using commercial banks and estate agents. Now they can't use the commercial banks," said Mr Jan Knosgaard, deputy manager of the Association of Danish Mortgage Banks.

Nykredit began to respond to this challenge even before the commercial banks haddrawn their swords, in 1989 and 1990 it bought up chains of estate agents, and from 1992 onwards it took stakes in BG Bank, Denmark's third largest commercial bank, as well as in Sydbank and SparNord, two medium-sized banks, while maintainingrelationships with many smaller banks.

"In 1992, 22 per cent of our sales were through our own organisation. In 1996 it was close to 60 per cent. We have proved that we have been able to change ourselves from a wholesale organisation into a retail organisation," said Mr Rasmussen.

Many ontside ohservers say the pressures on the mortgage market will inevitably lead to consolidation, and that will force Nykredit to move beyond the minority stakes it has so far taken and construct a more closely integrated group.

Mr Rasmussen is still undecided about the right way forward, but expects Nykredit will decide in the next six months.

"We have to develop our company to be able to provide customers with a broad range of financial services," he says.

Danish bond market (DKrbn)

	Mortgage bonds[1]	Government securities	Other bonds[2]	Total
Volume in circulation[3]				
1995	904.3	649.8	91.6	1,645.5
1996	945.4	670.5	95.4	1,711.3
Gross addition[4]				
1995	141.6	234.9	8.5	385.0
1996	214.6	200.6	18.3	433.5
Net addition[5]				
1995	38.9	32.6	−1.5	70.0
1996	29.4	19.3	2.0	50.7

[1] For index-linked bonds, the addition had been calculated at the indexed value at the time of issuance, whereas the bonds in circulation have been calculated at the indexed value at the end of 1996; [2] Comprises bonds issued by Danmarks Skibskreditfond, KommuneKredit, etc; [3] The volume in circulation has been calculated at nominal value; [4] The gross and net addition, respectively, have been calculated at market value; [5] The net addition is defined as the gross addition of bonds less drawings and other elimination of bonds

Source: The National Bank of Denmark and The Association of Danish Mortgage Banks

BANKING SYSTEM • by Hilary Barnes

Computer problem solved

A new system is claimed to meet the need of banks for up-to-date technology

A complete, new retail banking computer system developed by the Danes is set to play an important role in solving two problems faced by Europe's banks – the confusion caused by the year 2000 and the advent of the euro.

The system, known as the *Core Banking System*, was selected last autumn by IBM for marketing world-wide to meet the needs of the banking world for up-to-date technology.

The Core System was developed by SDC Finanssystem , a subsidiary of SDC, which is the data processing centre for 83 savings banks, one of six data processing centres used by the Danish banks.

As the SDC system is based on IBM architecture, IBM became a shareholder in SDC Finans when it was set up in 1993. IBM has a 20 per cent stake in the company while SDC owns the other 80 per cent.

The story began when SDC realised that about 85 per cent of its time was spent on maintenance of its existing data processing system, which was ahout 20 years old. "They hit the maintenance wall," as Mr Per Jakobsen, IBM's Nordic director for hanking and finance, put it.

SDC looked at all the world's systems and concluded that none of them lived up to its requirements. It set up a subsidiary with a hudget of DKr200m (US$31.3m) and gave it three years to develop a completely new system. It delivered on time and within budget, which was quite a feat, as Mr Jorgen Giversen, SDC's managing director points out.

At *SDC Finans*, managed from the start by Mr Makhdoom Iqbal, it was decided that the system would not be a one-off system for use by SDC alone, but one tbat could be used hy any bank. Accordingly, it is designed as a flexible multi-user system allowing SDC's member banks to pursue their own business strategies and thus maintain an individual market profile.

It was chosen by IBM after tests comparing it with systems developed hy other banks.

The system appears to have arrived at the right moment. Mr Jakobsen claims that some of the largest banks in Europe are showing "more than polite interest".

However, it is still early days. The system is undergoing the final tests before being made operational hy SDC. The weekend switchover from the old to the new system – is due to take place in June. No delays are expected, according to Mr Giversen. SDC's member banks will install the the new system gradually.

The *Halifax* Building Society, the UK's largest building society, has already purchased the system.

The marketing of the system, however, is only just beginning. A sales force has first to be trained to understand the new system, and this, said Mr Jakobsen, will take some time.

The system will be marketed by IBM from London, while IBM is building a Core Bank Competence Centre, in Denmark.

Mr Iqbal describes it as a complete retail bank system, which manages all the basic functions of a bank.

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STOCK EXCHANGE • by George Graham

Radical changes may lie ahead

Pressures are growing for the creation of a pan-Scandinavian exchange

More than 20 years have passed since the Copenhagen Stock Exchange traded in the elegant waterfront building, capped by a monumental narwhal horn, built for it in 1624 by King Christian IV. It now trades in modern offices upstairs from an electronics store.

The last year, however, has seen an evan more marked change to the exchange's corporate structure – and yet more radical changes may still be in store as pressures grow for the creation of a pan-Scandinavian stock exchange.

After a thorough overhaul of the Danish securities trading law in 1995, the Copenhagen exchange could have waited until the middla of this year to change itself into a limited company. In the event, its board decided to take the plunge straight away, and completed the transformation by May 1 last year.

Exchange trading members now hold 60 per cent of tha company's capital, with equity issuers and bond issuers holding 20 per cent each.

That change was followed by a decision to merge with the Futop Clearing Centre, which handles Danish futures and options trading. The merger was carried out at the beginning of this year.

The merger is intended to attract additional liquidity to the Danish derivatives market, and to allow Denmark to speak with one voice in international securities market forums.

Similar domestic mergers have been taking place at other Nordic markets, and now exchanges are starting to look across borders.

"Nordic co-operation has been on the agenda for some years. The time seems right now, when you have had concentrations nationally, to look at what we could do on a regional scale," said Mr Poul Erik Skaanning-Jorgensen, deputy director of the Copenhagen exchange.

"Many international investors won't see Denmark or Norway or Finland as a place to invest – though they may see Sweden as one, because it is bigger – they will see the Nordic region as a place to invest," he added.

Turnover of Danish and foreign shares (DKrm)

	1994 market value	1995 market value	1996 market value
Danish companies	156,969	145,329	200,969
Foreign companies	3,672	4,779	5,085
Mutual funds	13,787	7,044	10,566
Grand total	174,427	157,152	216,807
Average daily turnover	689	624	867

Source: Copenhagen Stock Exchange

Mr Per Hillebrandt, head of equity research at Carnegie, the regional brokers, added that Denmark had relatively low foreign equity ownership.

"The best guess is 17-18 per cent, compared with 30-40 per cent in other Nordic countries. For the international investor it's rather a small market with a large number of small listed companies. Even the big companies like Carlsberg and Novo Nordisk are small from the international perspective," ha said.

Just six shares (Tele Danmark, Den Danske Bank, Novo Nordisk, Sophus Berendsen, Unidanmark and Danisco) accounted for 39 per cent of all stock market turnover last year.

The KFX equity index rose 28 per cent last year and equity trading volume surged by 38 per cent to an average of DKr367m a day, but that still leaves Copenhagen a minnow in European terms.

Pooling resources with Stockholm, Oslo and Helsinki could help to raise Copenhagen's international profile. "If the four Nordics were to link their exchanges it would be the fifth largest equity market in Europe," behind London, Frankfurt, Paris and Switzerland, Mr Skaanning-Jorgensen said.

One way in which international dealers may get easier access to Danish securities is through remote membership of the Copenhagen exchange. Under the terms of the EU investment services directive, banks and brokers in other countries must be abla to become members of local exchanges without having a physical presence in the country.

Last month, Copenhagen welcomed its first remote member in the shape of CDC Marchés, the capital markets subsidiary of France's Caisse des Dépôts et Consignations, one of Europe's leading bond market participants.

Denmark has always, in fact, been more of a bond market than an equity market. The country's long tradition of mortgage bonds has made it one of the world's biggest fixed interest markets even in absolute terms, and certainly relative to the size of its population.

Daily turnover of bonds averaged Dkr26.6bn last year, up 12 per cent from 1995, and that figure excludes repo trading, which rose 41 per cent to a nominal figure of DKr74bn a day.

Some cross-border moves have already been made, notably a link between Sweden's OM derivatives market and the derivatives side of the Oslo stock exchange, which makes Norwegian futures contracts available to members of the Swedish stock exchange as well as OM's OMLX arm in London.

The advantages of closer links between the Nordic exchanges lie not only in the ability to attract international investors, but also in the savings that can be achieved on of electronic trading systems.

"Trading systems are extremely expensive and exchanges have spent colossal sums on them. It's clear that if you can have neighbouring exchanges pay some of your development costs then it makes a lot of sense," Mr Skaanning-Jorgensan said.

The Stockholm exchange is now working on a new version of its SAX system, and the idea of piggy-backing on that could act as an extra merger incentive for Copenhagen, whose trading system is now 10 years old.

"The system works well, bnt it's getting old," Mr Skaanning-Jorgensen said.

The prospect of Nordic co-operation continues to excite the Copanhagen exchange, and helps to dispel any lingering nostalgia for the elegant quarters it vacated so long ago.

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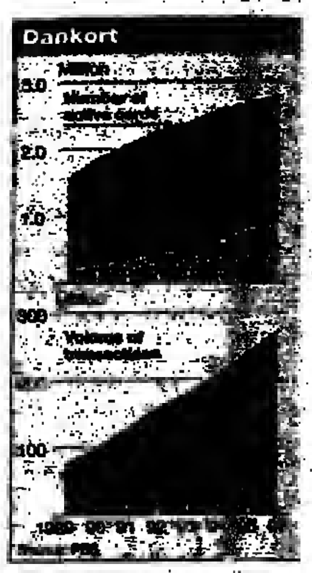
PAYMENTS SYSTEM • by George Graham

Cheques out as plastic takes over

Co-operation has made it possible for automated systems to displace cheques



Denmark's mechanisms for handling payments have been marked for decades by a high degree of co-operation, and the result has been one of the most efficient and automated payment systems in Europe.

The Pengeinstitutternes BetalingsSystemer A/S (PBS) was originally established in the 1960s as a joint company set up by the banks to handle computerised salary payments.

PBS is atill owned by the banks but now operates as a fully commercial venture handling payment cards, payroll adminlatration systems, billing and direct debit services and digital signature security systems for electronic banking.

About 2.8m Dankorts, the principal debit and casb withdrawal card in Denmark, have now been issued, including 826,000 combined Dankort/Visa cards which can also be used overseas.

The card is used in point-of-sale transactions more heavily than in any other European country except Finland, and has largely displaced the cheque. Only around 70m cheques are now processed each year, down from a peak of 290m, and the total is still declining.

"With a population of 5m, we are quite happy with 300m card transactions a year," said Mr Per Ladegaard, PBS's chief executive.

PBS has also been one of the leaders in the field of stored value cards, which are loaded with money in advance, rather than being used to authorise transactions from a bank account, like a normal debit card.

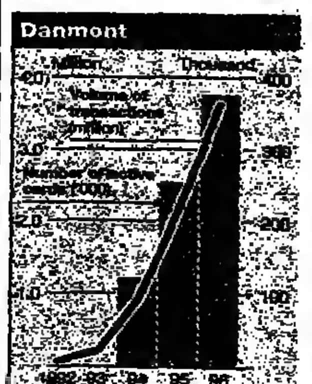
Its Danmont, or Danish Coin, technology has been bought by Visa, the international cards group, for use in its own stored value trials.

Danmont was originally launched jointly by PBS and Tele Danmark, the national telecoms company, but PBS took 100 per cent control from the end of last year. Until now, disposable cards have been sold in fixed values, bnt some banks will start this year to issue rechargeable cards which can reloaded at a cash machine.

The number of activated Danmont cards rose by 45 per cent last year to 376,000, and the number of transactions climbed 68 per cent to 3.6m, with payments averaging DKr7.

Mr Ladegaard said the Danmont experiance had shown that the real market for stored value cards was in self-service locations such as ticket machines, telephones and launderettes.

"The trick is to target the customer at the right place. Some of the pilots for stored value cards have been based on installing tarminals at the normai retailer leval, and that is really a mistake, based on the experience we have had in the last three years," he said.



Although reloadable cards will now be on offer, Mr Ladegaard expects that disposable cards will still be sold. They can be useful for tourists, he notes, or for parents to give to their children. Moreovar, the disposable cards leave individual banks with the option of not converting their automated teller machines to handla the reloading process.

Denmark has also been one of the pioneers in developing security systems for electronic commerce. PBS's TeleSeC, using electronic certificates, digital signatures and encryption to protect information on open networks, has been in use in Denmark since 1993, and was sold last year to Nordbanken in Sweden.

The same three security elements are also the base for the Secure Electronic Transactions standard agreed by the international card groups, for which MasterCard and IBM started a pilot in Denmark at the end of last year.

Home and office banking services offered by the Danish banks have until now been channelled through private networks, but PBS is now working on a laboratory model of a security system that would allow all these services to convert to the Internet.

"It's important to realise that putting a technical solution in on the Internet is not enough; it's the procedures around it, such as how does the customer sign up for an account," Mr Ladegaard warns.

Denmark may get a further boost in the electronic field as tha Danish parliament is now considering one of the world's first pieces of legislation on digital signatures, which would help by standardising tha rules for government and private sector electronic transactions.

PBS already expects one of its future businesses to be as a trusted issuer of digital certificates for electronic commerce.

Mr Ladegaard has a longer term vision in which the Internet and bome and office banking systems are integrated with chip cards. For the time being, however, the Internet infrastructure is in placa, while the chip card infrastructure is not.

"I don't think we will see a global chip environmant before the year 2000. It will start before that, but history has shown that it takes eight to 10 years for this kind of thing to come to fruition," he said.

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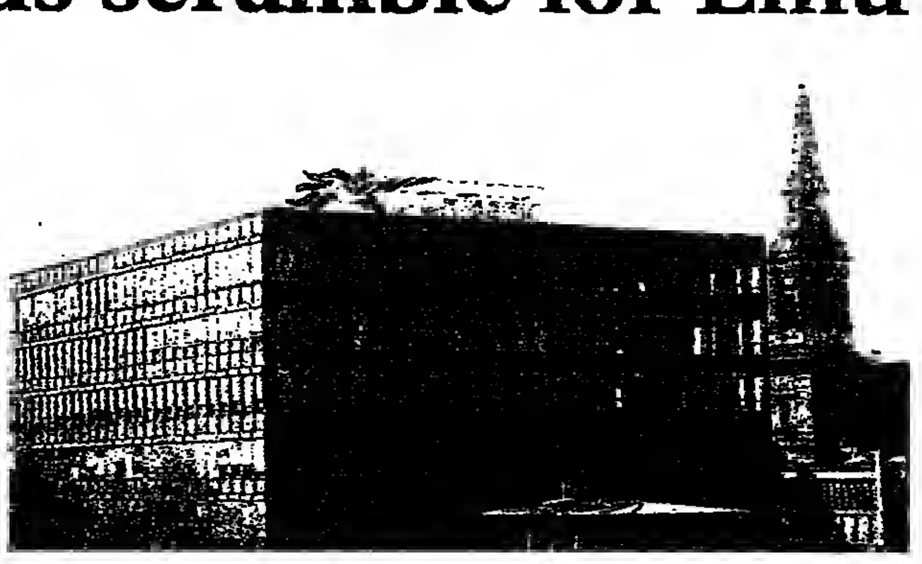
ECONOMIC AND MONETARY UNION • by George Graham

Opt-out avoids scramble for Emu

Staying out of the monetary union may not make business life that much simpler



DDB's Knud Sorensen (above): 'we have to play by the rules'. Unibank (right): still has work to do on multi-currency accounts

At first glance, Danish financial institutions might seem to be in an enviable position of certainty as the scheduled start of European economic and monetary union draws closer. Their country has opted out of the third phase of Emu, due to begin on January 1, 1999, and will not be adopting the euro unless the opt-out is reversed by a referendum.

This means that, unlike those EU countries which are still seeking to qualify for the first wave of Emu, Denmark does not have to scramble to meet the Maastricht economic convergence criteria, although it is much better placed to do so than many of its neighbours.

And it should mean that, unlike their British competitors, who still face at least the theoretical possibility that the UK might join Emu, Danish banks can prepare their computer systems in the confidence that they will not suddenly have to start handling euros.

From Copenhagen, however, the view is much less comfortable. "We are a small country, and even outside Emu, we will have to act from a business point of view as though we were in," said Mr Mogens Munk Rasmussen, chief executive of Nykredit, the leading Danish mortgage bank.

Denmark's position on Emu is quite particular. The country will, unlike the UK, be participating in many aspects of the third phase of monetary union; it will be obliged to maintain an independent central bank, and to follow the same economic policy guidelines as Emu members, such as avoiding excessive budget deficits. It will also participate in a future exchange rate mechanism which will link the euro with the Danish krone and other European currencies outside the Emu core.

The critical issue for the Danish central bank at the moment is whether the future mechanism will keep the very wide +/-15 per cent fluctuation bands now in operation or move to much narrower bands, as Denmark would like.

Since the future European central bank, as well as "out" central banks, will be obliged to defend these fluctuation limits, narrower bands would carry significant intervention implications.

Whereas other countries which do not join in the first wave of Emu will be re-examined every two years to see if they qualify for admission, Denmark will only be re-examined if it asks for it. That is too distant a relationship from the point of view of the banks, most of which would have preferred Denmark to join Emu from the outset.

"It's a political question, and we have to play by the rules as they are," said Mr Knud Sorensen, chairman of the executive board of Den Danske Bank (DDB), the country's largest bank. Still, most believe – more from conviction that it would be the right policy than because of any real signs that public opinion is swinging in favour of the euro – that Denmark will join Emu at some stage in the not too distant future.

"Last year we had two scenarios, in and out. Now the banks have changed to a 'realistic scenario' on Emu: that we will be out for a period, and later become a member," said Mr Klaus Willerslev-Olsen, deputy managing director of the Danish Bankers' Association.

Even in that more realistic scenario, the banks believe that they will have to make far-reaching changes to cope with the euro, especially as they believe that once the decision is made, entry will be accomplished much more quickly than the three year transition envisaged for the first wave of Emu. "There are a lot of reasons for Danish companies to use the euro more heavily than they use the D-mark today. There will be a demand for dual currency accounts. We believe the major companies will be first, and through them it will spread," said Mr Henning Skovlund, head of the treasury division at BG Bank, the country's third largest bank. BG has a large position in the corporate banking market because it includes the former Girobank, which conducted payments business for most companies.

The Danish central bank, however, remains much more sceptical about whether the euro will be very different to the D-mark in its impact on the Danish krone. In a recent study of Canada's experience central bank economists found little evidence of the US dollar being substituted for its Canadian counterpart. Even though US dollars might be accepted in shops, they are changed back at a bank and not recirculated.

"There is no international experience to indicate that the Danish krone will become marginalised after the establishment of Emu. In future it will be natural for the euro to play a larger domestic role for business enterprises than the D-mark does at present, but there is nothing to indicate that problems will arise from this more widespread use," the study concluded.

But even handling a relatively modest level of demand for the euro will still require changes to banks' computer systems. DDB's system is already largely equipped to handle multi-currency accounts, though Unibank, the second largest bank, still has work to do.

BG Bank's branch network is already in the process of developing a new computer system known as Core (IBM has acquired the right to market the system outside Denmark) which will allow it to surmount not only the problems raised by Emu but also the year 2000 issue.

But Mr Skovlund complains that it is still difficult to plan in detail when so much remains to be specified. "In electronic data processing, you need to know exactly what you are doing, bit by bit. But something new comes every week from the European Monetary Institute," he said.

One of the chief concerns of the Danish banks is their access to Target, the real time payment system that will link European central banks.

Although non-Emu countries will also be linked to Target, Emu's likely core countries are keen to restrict access to central bank credit within the system. The issue raises monetary policy questions, but is also a competitive problem, since Target is likely to be one of the most efficient mechanisms for high value cross-border payments in euros.

Both Denmark and the UK argue that access to same day credit would merely facilitate the smooth functioning of the payments system and have no monetary implications so long as intra-day credit is not allowed to spill over into overnight credit – something they believe technically is perfectly easy to achieve.

Mr Alexandre Lamfalussy, president of the EMI, has sided with Germany and France on this issue, and any decision has been put off until the end of next year. By then it will be in the hands of "in" countries, leaving Denmark and the UK out of the loop.

The uncertainty arising from that delay could cause problems for Danish banks. "I realise we shall get some news in 1998, but time is flying and it takes time to change computer systems," complained Mr Sorensen of DDB.

FOREIGN EXCHANGE • by Clay Harris

Currency boiler room

In the search for a venue of least regulation, Denmark fitted the bill for a while

If you wanted to hard-sell a currency trading scheme, commodity futures or penny shares to European investors, Copenhagen was a good place to be in the mid 1990s.

As other countries tightened up on boiler rooms, cold-calling operations gravitated to Denmark, where they found no shortage of home-grown counterparts.

Copenhagen was not an "open" city by intention, but in the cold-callers' persistent search for the venue of least regulation, it fitted the bill. Denmark only regulated trading in Danish-listed securities. This gave free rein to companies which handled foreign securities or dealt in currencies.

The window of opportunity was brief. Most loopholes were closed by legislation which took effect on January 1, 1996, implementing the European Union's Investment Services Directive (ISD) and introducing regulation in these sectors.

Finanstilsynet, the Danish financial regulator, is proving to be a tough nut, taking the time to vet thoroughly applications for authorisation. Ms Marianne Knudsen, chief financial inspector, says: "We want to reach the right decision the first time. It's easier to say 'no' to someone who has not been authorised than it is to close them when they have been authorised."

Indeed, so far, rejections and withdrawals outnumber approvals. But the damage has not been fully repaired.

Only one currency trading company, Midas Fondsmaeglerselskab, has been authorised. Mr Lars Christensen, director, says: "There is still a lot of suspicion in the market, which is understandable. Confidence has not yet fully returned, but I think that once a line is finally drawn about who is approved, people will feel more secure."

The lid blew off last August, when police raided the offices of Nordex Denmark and issued an arrest warrant for Garreth Martin Bell, its British manager. Hundreds of Nordex customers in Europe and further afield – cases have emerged from Asia, the Gulf and Africa – said they had lost money through speculative currency or commodity deals.

Danish police estimate that Nordex cost investors more than DKr100m (£9.6m), but it was far from alone. Chief Superintendent Bent Hansen says police have received hundreds of complaints, many about Danish-owned companies, and that several investigations are proceeding in addition to Nordex.

Another company to make a name in Copenhagen was Scandex Capital Management, run by Mr Jeremy Bartholomew-White, a Briton whose currency schemes had previously run into trouble with UK authorities.

Similarly, Mr David Rycott, whose futures and options trading company DPR Futures was closed by UK regulators on public interest grounds in 1988, chose Copenhagen as the base for his new venture, Scandinavian Forex and Futures Group (SFFG).

Mr Bartholomew-White and Mr Rycott separately concluded that Copenhagen would make a more hospitable base than London, withdrawing applications to the UK's Securities and Futures Authority to pursue their chances with Finanstilsynet. Their hope was to gain a "passport" under the ISD, which would have enabled them to operate throughout the EU. Denmark, however, proved it was no flag of convenience.

After a UK investor went public with details of how 93 per cent of his £8,000 investment had been lost in only a month, Finanstilsynet rejected Scandex's application, forcing it to close last autumn. The UK's Securities and Investments Board began legal proceedings against Scandex and Mr Bartholomew-White.

In the case of Mr Rycott, Denmark lagged behind the UK in taking action. It was only after SIB had extracted undertakings from Mr Rycott and his Spanish-based company Anglo Scandinavian not to undertake investment business in the UK that SFFG withdrew its application in Denmark.

Questions remain about Finanstilsynet's appetite for forceful action if unprompted by embarrassing publicity or the initiative of other national regulators. But the progress so far is undeniable. The very introduction of the regulations began the clean-up. Finanstilsynet sent out 170 applications to companies it believed were operating in affected areas. The great majority, including Nordex, never bothered to apply.

Of the 62 which submitted applications by the July 1 deadline, 26 have been processed. Only nine of these have been authorised so far. Eight were refused, seven withdrew and two were judged to be not offering investment services. This leaves 36 still to be decided. Mr Henrik Bjerre-Nielsen, director-general, says Finanstilsynet aims to have completed the vetting process by the middle of this year.

The jurisdictional nightmare faced by national regulators in trying to keep up with their prey cannot be underestimated.

In the waning days of Nordex, for example, a company called Laurion set up across the border in Hamburg. It was linked to Bell and employed ex-Nordex sales staff. In the week Nordex was raided in Copenhagen, Laurion's managers ordered the entire Hamburg operation to decamp to Barcelona at only 24 hours' notice.

When this came to Spanish eyes, and the realisation dawned that Germany was less concerned about such activities than some of its neighbours, the exodus was reversed.

Seemingly always one step ahead, many of the same operators appear to have found a new home – in Switzerland, even though it, too, is tightening regulation.

INSURANCE • by Hilary Barnes

Shake-out steadies sector

While the big get bigger and the small prosper, the medium companies are being squeezed

After a dramatic shake-out in the early 1990s, the Danish insurance industry has settled into a more stable period, marked by two years in which earnings in the industry have been satisfactory.

The face of the industry was changed during the early 1990s. At the beginning of the decade, the two largest insurers were Baltica and Hafnia. Both were brought to their knees by speculative ventures undertaken by their respective holding companies. The result is that they no longer exist independently.

Hafnia was taken over by Codan, the Danish insurance company controlled by the UK's Royal and Sun Alliance. Hafnia was at the time three times bigger than Codan, but Codan appears to have digested Hafnia with relatively little trouble.

According to the 1996 results, Codan has succeeded in reducing the ratio of claims and expenses to premium income (the combined ratio) in the general insurance business from 127 in 1993 to 104 in 1996, cutting the insurance-technical loss from DKr487m in 1993 to DKr110m in 1996.

The expenses ratio has remained at about 31 per cent. Codan's chief executive officer, Peter Zobel's, next aim is to bring down this ratio to around 25 per cent, but, says the 1996 statement, the aim is not to reduce the expenses ratio to the lowest in the market but rather to maintain an organisation which is able to provide a high level of service.

Baltica was split three ways. Its life business, Danica, went to Den Danske Bank. The general insurance business was taken over by Tryg, which is now known as Tryg-Baltica. The former holding company, now known as Gefion, was left with the speculative assets, which have gradually been turned round; Gefion was profitable in 1995 and 1996 and for the first time since 1993 will pay a dividend on its 1996 results.

Tryg-Baltica, with total premium income of about DKr9.30bn, is now the industry's flagship company, with Codan in second place with premium income of DKr6.7bn.

In general insurance there are now five large companies accounting for about 60 per cent of the total market, Tryg-Baltica with 21.3 per cent, Codan 13.8 per cent, Topdanmark 12.0 per cent, Alm. Brand 8.1 per cent, and Danica 3.8 per cent.

The rankings change for the life assurance and pensions business, where PFA Pension has a 24 per cent share to Danica's 19.4 per cent, Tryg and Codan with just under 9 per cent each, trailed by Topdanmark, 3.9 per cent, and Alm. Brand, 2.2 per cent.

Mr Bent Knie Andersen, chief executive officer at Alm. Brand and chairman of the Association of Danish Insurance Companies, described the overall situation in the Danish industry as one of polarisation.

"Competition is extremely fierce, which is good for customers, but it is leading to a situation in which the big are getting bigger. The small insurers continue to do well, but the medium-sized are being squeezed," he said.

In contrast to the situation in the other Nordic countries, where the market is dominated by a few large businesses, Denmark has 212 insurance companies, 160 of them in general insurance and 52 in life assurance.

There is a parallel in the Danish banking sector, where a large number of small banks continue to flourish in the shadow of the heavyweights. As in the banking sector, the small general insurance companies – nearly all of the mutuals – are either niche companies or serve a small, local public, who prefer to deal with the people they know rather than with a large company in far-away Copenhagen. "The small companies, says Mr Andersen, "are well capitalised, and they do well."

The companies in the middle, between the very small companies and the half dozen at the top end of the industry, are having a harder time. They lack critical mass, says Mr Andersen. They are not big enough to maintain an organisation serving the whole country, but cannot call on the local patriotic feeling which serves the small companies so well.

"Your Jutland customer just won't pick up the phone and ring to Copenhagen, he wants to deal with a local manager," Mr Andersen says.

The structural shake-out in the insurance industry itself has been accompanied by an intensification of competition between the banking and insurance sectors.

Den Danske Bank and Unibank both have insurance subsidiaries, while BG Bank has an alliance with Topdanmark. Codan and Alm. Brand are fighting back with their own banking subsidiaries.

Alm. Brand Bank is now the country's eighth-ranking bank with assets of about DKr5.5bn and branches at all the insurance company's offices across the country. It is a cost-effective niche bank which is able to attract customers by offering better terms on deposits and lending than the big, full-service banks, as Mr Andersen explains.

The competition in general insurance is fierce and margins are generally low. This has caused the companies to turn their attention to the life and pensions business, which is growing fast.

All the companies have been streamlining their organisations to win shares of the business, including Sweden's Skandia, which announced recently that it plans an offensive to win pension customers in Denmark through its subsidiary Kgl. Brand.

Two factors are driving the growth of the pension and life business. One is a general uncertainty about the ability and willingness of the state to pay a satisfactory old-age pension, or to maintain the popular and relatively generous early retirement programmes.

The second factor, related to the first, is the establishment of pension funds by trade unions serving the hourly paid blue-collar and service industry employees, who until now have had to rely on the state old-age pension and personal savings (the staff associations serving salaried employees developed pension funds in the 1950s and 1960s).

The new pension funds came into being in 1991-92 as a result of the collective wage-bargaining process, and for each new round wage-bargaining agreement the premiums payable by employers and employees are being raised – and competition for the administration of these pension assets is hot.

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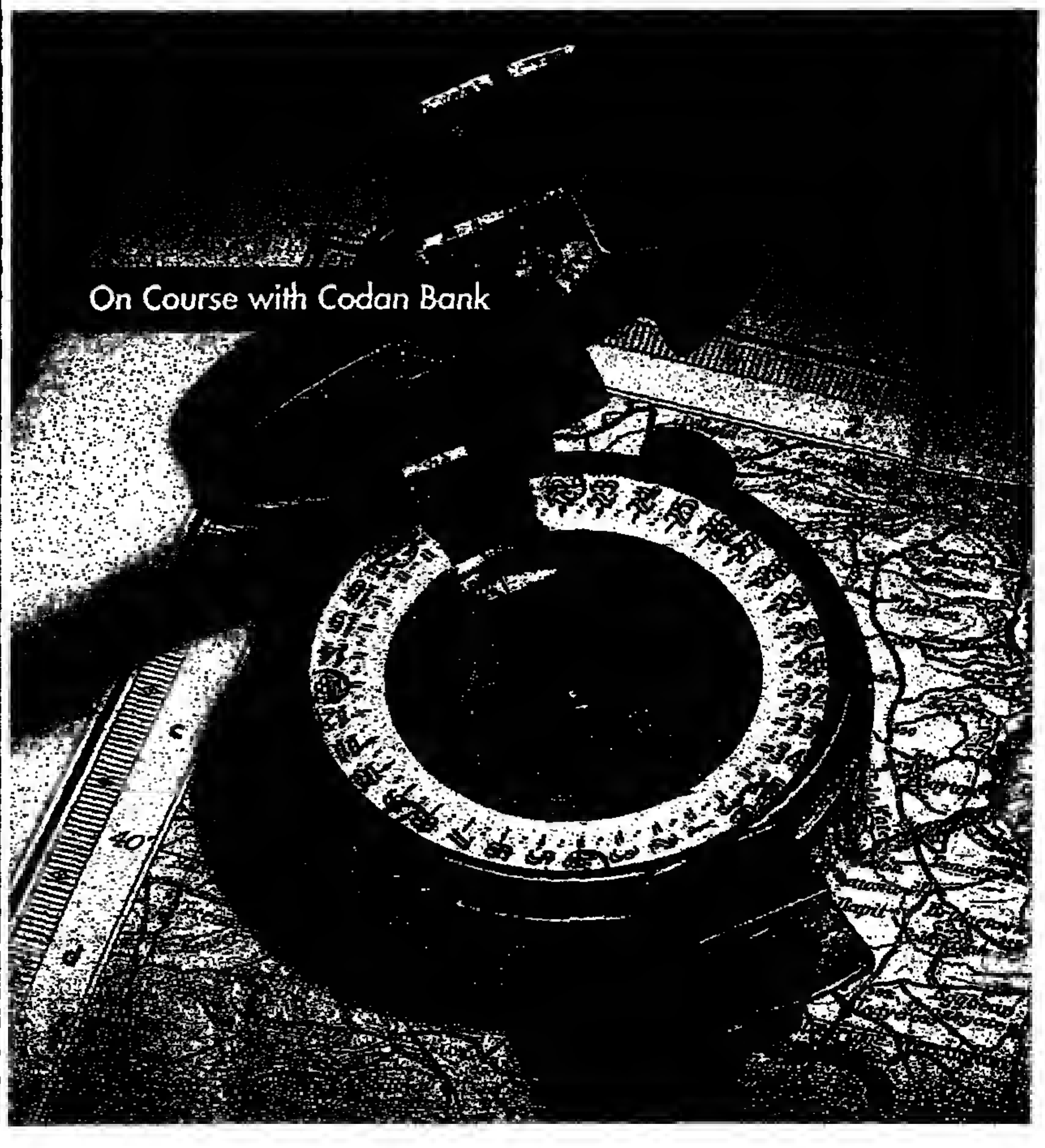

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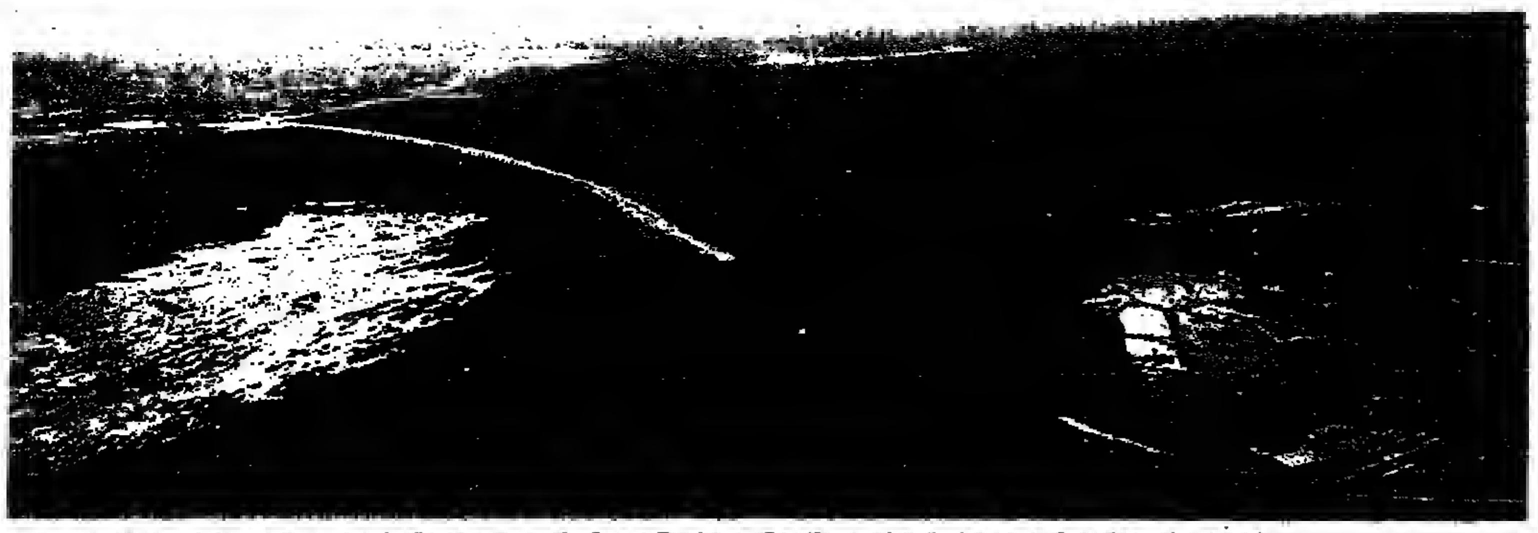

A computer-generated view of the road-and-rail bridge across the Sound. Road and rail traffic complete the journey to Copenhagen in a tunnel

NORDIC BANKING INTEGRATION • by Hilary Barnes

Banks push back frontiers

National differences in the Nordic region are rapidly diminishing

The larger Nordic banks all now consider the whole of the Nordic region as their home market. However, this applies more specifically to corporate banking, where competition is tough, but competition in the retail sector is also increasing.

The two banks which have made the biggest advances across Nordic frontiers are Svenska Handelsbanken (SHB) and Den Danske Bank. The latter's acquisition of the last of the Swedish provincial banks, Oestgöeta Enskilda Bank (OEB), in March this year is the latest as well as one of the most significant developments.

Svenska Handelsbanken has by a combination of acquisitions and organic growth built up a strong position in Norway and Finland. SHB operates 13 branches in Norway and 10 in Finland. In Denmark, SHB has a branch in Copenhagen, which is also open for retail business. This is the bank's bridgehead for expansion in Denmark, where it is widely expected that it will expand its operations by acquiring one of the medium-sized regional banks.

The large Finnish, Norwegian and Danish banks are all represented in Stockholm. Den Norske Bank, the largest of the Norwegian banks, has a branch in Copenhagen, while Skandinaviska Enskilda Banken, will be opening a branch in Copenhagen this year.

After the big shake-out in the Swedish banking industry this year – when SHB merged with the largest of the Swedish mortgage banks, Stadshypotek, and the flagship of the savings bank movement, Swede-Bank, merged with the co-operative movement's Foereningsbanken – there has been speculation that the next move could be a cross-border merger between large Nordic banks. However, Danish bankers do not agree.

Cross-border mergers are more difficult than cross-border acquisitions, says Mr Knud Sorensen, chief executive officer of Den Danske Bank.

"Things are more complicated than they may appear at first glance," he says. A cross-border merger would not offer any potential for cutting costs, which usually provides the rationale for domestic mergers. In fact, he argues, the price of co-ordinating the operations of banks involved in a cross-border merger might well exceed any benefits on the costs side. In addition, there are unlikely to be any advantages to be gained by rationalising asset management, or by altering the capitalisation of the banks.

Other problems would arise, he says, over where to place the bank's headquarters office, over supervision, and over who would be the main shareholder.

"These difficulties would probably be prohibitive unless there are very obvious advantages from a merger. The only real advantage is that it would create a bank which would be well known abroad. But the benefits of this are modest, so I do not think we shall see cross-border mergers," says Mr Sorensen.

On the other hand, the national differences between banks are diminishing, he says. The technology is similar throughout the region and there are near-identical legal systems. However, economic and monetary union is likely to be the most important factor behind developments during the coming decade.

Of the Nordic countries, only Finland is firmly committed to joining the common currency system from its inception. Norway is not a member of the European Union. Denmark has opted out of Emu, and Sweden has yet to decide whether it will join. Bnt Mr Sorensen's guess is that if Emn is a success, Denmark and Sweden will, in the end, join as well.

Meanwhile, Danske, following the acquisition of OEB, is taking on the Swedes on their own ground. OEB was the last of the Swedish provincial banks. All the rest, with the exception of some very small savings banks, have been swallowed up by the large banks over the past 15 years.

Snapping np OEB was therefore an expensive exercise for Danske Bank, which paid almost double the market price, placing a value of about SKr2.8bn (DKr2.4bn), on the acquisition. No other banks have admitted bidding for OEB, but it is known that Danske was not the only Nordic bank with its eyes on the Swedish bank.

OEB's balance sheet at the end of last year reflected total assets of SKr14.9bn. Shareholders' equity was SKr1bn and the bank reported a net profit of Skr204m. It has a staff of 500.

The bank has 29 branches, of which 18 are in the bank's own Oestgoeta region (the banks' headquarters is in Linkoeping, about 200km south of Stockholm), while the other 11 are in the main population centres, including Stockholm, Gothenburg, Malmo and Helsingborg.

In its acquisition announcement, Danske Bank emphasised that the acquisition will strengthen its position in the Swedish market in preparation for the opening in 2000 of the road-and-rail bridge across the Sound between Copenhagen and Malmo. It is widely believed that the bridge, which will cut the journey by road between Copenhagen and Malmo to about 30 minutes, will have an important impact on regional integration.

Danske Bank has for some years been the largest of the Nordic banks, measured by capital, a position normally held by one of the Swedish banks. However, repeated devaluations of the krona have gradually eroded the lead which the Swedes once held over the Danes. Equally, Danske's acquisition of OEB puts it, measured by branches, ahead of its main rival for Nordic expansion, SHB.

Danske's activities in Sweden have so far been directed at the corporate sector. OEB offers the bank opportunities to expand this side of the business, but will also enable it to develop the retail side.

Mr Sorensen admits that the price tab on OEB was high, but he believes that the acquisition was well worthwhile. Building up a branch network from scratch would have been far more expansive, he says.

PENSIONS • by Hilary Barnes

The Danes will be growing old gracefully

The structure of support systems will cushion the budgetary impact of the elderly

Denmark will escape relatively lightly from the pressure on government budgets presented by the ageing of the population, according to a working paper from the OECD Economic Department published last November. This is in sharp contrast with its nearest neighbours, Sweden and Germany, which are among countries with the most difficult challenges ahead.

The Danish aituation reflects the structure of the pensions system. The flat-rate old age pension provided by the state for everyone on reaching the age of 67 works out at about 38 per cent of an average wage, much lower than in many other countries, which aim to provide compensation of around 60 to 65 per cent of the average wage.

The basic old age pension is supplemented by a compulsory national pension scheme, known as the ATP acheme, which is a fully-funded system with contributions based on the number of hours worked. This scheme will first mature in the early years of the next century but will make a relatively modest contributioo to total pension incomes.

Most salaried employees contribute to fully-funded pension schemes established through the collective bargaining system, and at the beginning of the present decade eimilar systems began to be established for hourly-paid workers.

Finally, there is a tax deduction for savings in private, individual pension plans, which are a popular form of saving. A tax of 40 per cent is levied when these savings are drawn. The state's tax claim on current pension assets amounts to about 40 per cent of GDP now and will rise to around 80 per cent of GDP by 2030.

At present there are about three persons of working age (between the ages 18-59) for every retired person. This ratio will remain stable until about 2005, when it will begin to change. By 2030, according to the government's projections, there will be about two persons of working age for every retired person.

The ministry of finance estimates that the total costs of the care of the elderly, including health care and pensions, will rise from about 10.7 per cent of GDP in 1995 to about 12.4 per cent in 2015 and 14.5 per cent in 2030. (The estimates are expenditures net of income tax on pensions.) Health care costs will rise from 3.9 to 5.4 per cent of GDP between 1995 and 2030, [illegible] to the estimates, [illegible] expenditures (gross, before income tax) will [illegible] to 12.6 per cent [illegible].

The rising [illegible] of the elderly present economic policymakers with a difficult challenge, requiring a structural improvement in public finances to offset the rising costs of the ageing population, a recent report from the finance ministry on the long-term outlook warned.

A tight fiscal policy, supported by labour market policies which generate a lasting increase in the ratio of employed to non-employed in the population of working age, will be crucial elements in ensuring a satisfactory development, the report said.

The aim of these policies is to bring about a substantial reduction in the national debt, currently about 60 per cent of GDP over the next 10 years, before the rising costs of the ageing population begin to bite. At the same time, the report forecasts that a combination of stringent fiscal policy and rising private sector savings for pension purposes will switch the present net foreign debt from 27 per cent of GDP, about DKr225bn, to a net asset position equal to 75 per cent of GDP, or DKr725bn in 1995 prices, over the next 25 years – in other words, the aim is a surplus on the current balance of payments throughout the period.

After the calm, choppy waters

Continued from page 1

Danish mortgage banks may have to look to the huge euro market on their doorstep for funding, and that could require changes to the peculiar structure of Danish mortgage bonds to make them more attractive to international investors.

The immediate outlook, meanwhile, is for a year or two of gross domestic product growth in the region of 3 per cent, with demand driven by rising private consumption and a recovery in residential building investment.

Last year was a poor one for exports, bnt Danish manufacturers expect to do better as demand in continental Europe recovers.

For the finance service industry, the economic outlook promises a year of rising activity. On the other hand, higher interest rates and falling share prices – if that is indeed what is in prospect – will hit the industry's investment earnings.

It is a feature of the Danish banking system that the change in the market value of the banks' securities portfolios over the accounting year is entered fully into the profit and loss account. This means that the bottom line fluctuates dramatically from year to year.

After two successive years in which rising bond and share prices have strengthened bank profits considerably, 1997 may be a year when a stock market reversal will seriously affect their profits.

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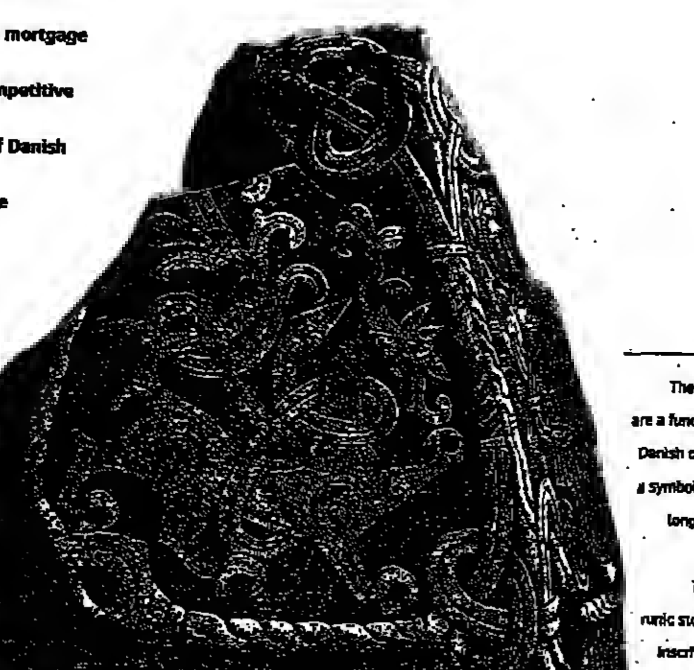

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For further information, please contact:

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"It is the ongoing demand for mortgage bonds which is rubbing off positively on the whole market"
Reuter

"Danish institutional investors see local mortgage-backed bonds giving a better return over the next six months than Danish government bonds"

"The pick-up in yield more than compensates for liquidity factors"
Credit Suisse First Bos.

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IN BRIEF

AMD announces surprise profit

Advanced Micro Devices, the US chipmaker which last week unveiled a microprocessor to rival market leader Intel's more costly offering, made an unexpected profit of 9 cents a share in the first quarter. Page 20

Exor increases stake in Club Med
Exor, the French investment vehicle controlled by the Agnelli family of Italy, has increased its stake in the leisure group Club Mediterranée to 19 per cent in the last few weeks. Page 18

Enersis in South American investment
The subsidiaries of Enersis, the Chilean utility-based holding, are to invest $4.2bn over the next five years – $2.5bn in domestic operations, and $1.7bn in current operations in Argentina, Brazil and Peru. Page 20

Suez chairman to lead after merger
Gérard Mestrallet, the chairman of Suez, the French holding company, will gain control of the combined group formed after its merger with Lyonnaise des Eaux, the utilities, construction and communications business. Page 19

Rational to take over Pure Atria
Rational Software is to take over rival automated programming product maker, Pure Atria, in an all-share deal which sent both companies' stocks reeling. Page 21

OMV to invest Sch20bn in oil and gas
OMV, Austria's biggest industrial company, announced plans to invest close to Sch20bn ($1.6bn) over the next three years in a campaign to become central Europe's leading oil and gas company. Page 19

Tesco tries to calm price war worries
Tesco, the UK's largest supermarket group, sought to dampen anxiety over a renewed price war in the food sector by indicating it expected to hold margins steady. Page 23

NCB in Y291bn capital-raising plan
Nippon Credit Bank, the troubled Japanese long-term credit bank, said it would seek to strengthen its financial position by raising Y291.7bn ($2.3bn) of equity capital. Page 22

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
BMW Prf	912.5	+	32.5
Mannesmann	636.5	+	8.5
SAP AG	267.8	+	8.3
Volkswagen	921.7	+	10.2
Falls			
Heritz	156	–	7
NEW YORK ($)			
Rises			
Adv Micro Dvc	43¾	+	2½
Nova Corp	19	+	1⅛
Tecadyne	35⅝	+	2
Falls			
Groupe AB	8½	–	1⅛
JLG Inds	13⅝	–	5⅛
Sensormatic	16½	–	1
LONDON (Pence)			
Rises			
Cooper (F)	33½	+	6
Rowlinson Sec	267½	+	65
Falls			
Bakyrchik	126	–	17
GBE Intl	28½	–	8½
Superscape VR	317½	–	30
Tepnel Life	102½	–	23
TORONTO (C$)			
Rises			
Gocanex Tech	3.1	+	0.4
Mdb-Corp	5.9	+	0.9
Spar Aerospace	15.0	+	1.4
Falls			
Amtelecom	4.5	–	0.5
Bi Eco Logic	5.25	–	0.75
Softkey Softw	9.5	–	1.5
PARIS (FFr)			
Rises			
Bertrand Faure	279.0	+	6.5
Taittinger	2100	+	131
Falls			
BNP	237.1	–	8.5
Chargeurs Intl	360.0	–	11.9
Cred Lyon	198.1	–	8.3
Elf Aquitn Cts	488	–	27
TOKYO (Yen)			
Rises			
Banyu Pharm	2140	+	160
Orix Corp	6580	+	450
Sumitomo Metal	824	+	54
Falls			
Kajima	495	–	34
Kondenko	865	–	95
Sumitomo Tr&Bk	913	–	53
HONG KONG (HK$)			
Rises			
Semi-Tech	10.1	+	0.9
Shougang Cncrd	1.74	+	0.12
Techtronic Ind	1.22	+	0.14
Top Glory Intl	1.51	+	0.08
Falls			
Applied Intl	0.69	–	0.03
Esprit Asia	3.45	–	0.20
BANGKOK (Baht)			
Rises			
Jalaprathan	22.75	+	2.00
Kuang Pei San	28.5	+	2.8
Univentures	30.25	+	2.75
Falls			
Chumporn Palm	25	–	5
Interlife	54	–	5
Kiang Huat	71.5	–	7.5

New York and Toronto prices at 12:30.

Commerzbank head urges reform

Kohlhaussen warns over corporate bankruptcies after loan provisions leap

By Andrew Fisher in Frankfurt

Mr Martin Kohlhaussen, chairman of Germany's Commerzbank, yesterday warned about the high level of corporate bankruptcies in the country and criticised politicians for being too slow to push through reforms to help the economy.

He said that while the bank made a strong start to 1997, concern about loan risks led it to raise loan loss provisions on corporate business by nearly 60 per cent last year.

Mr Kohlhaussen, who is also the new president of the German banking association, said the *Mittelstand* – medium-sized companies which form a large part of the economy – was suffering badly. Company insolvencies had risen 10 per cent in Germany last year.

He complained about German politicians' slowness in tackling structural change, saying this inhibited economic progress. Singling out plans to cut taxes and simplify the tax system, he said: "Tax reform has got to come – we need the right signals."

Elaborating on the bank's own position, he said the 60 per cent rise in corporate loan loss provisions compared with a rise of 8 per cent on the private customer side.

Total risk provisions, however, were 37 per cent up at DM1.22bn after writing back earlier provisions for foreign country loan risk and including profits on securities in the bank's liquidity portfolio.

Mr Kohlhaussen was confident Commerzbank would raise operating profits again this year after a rise in 1996 of 29 per cent to DM1.85bn after risk provisions.

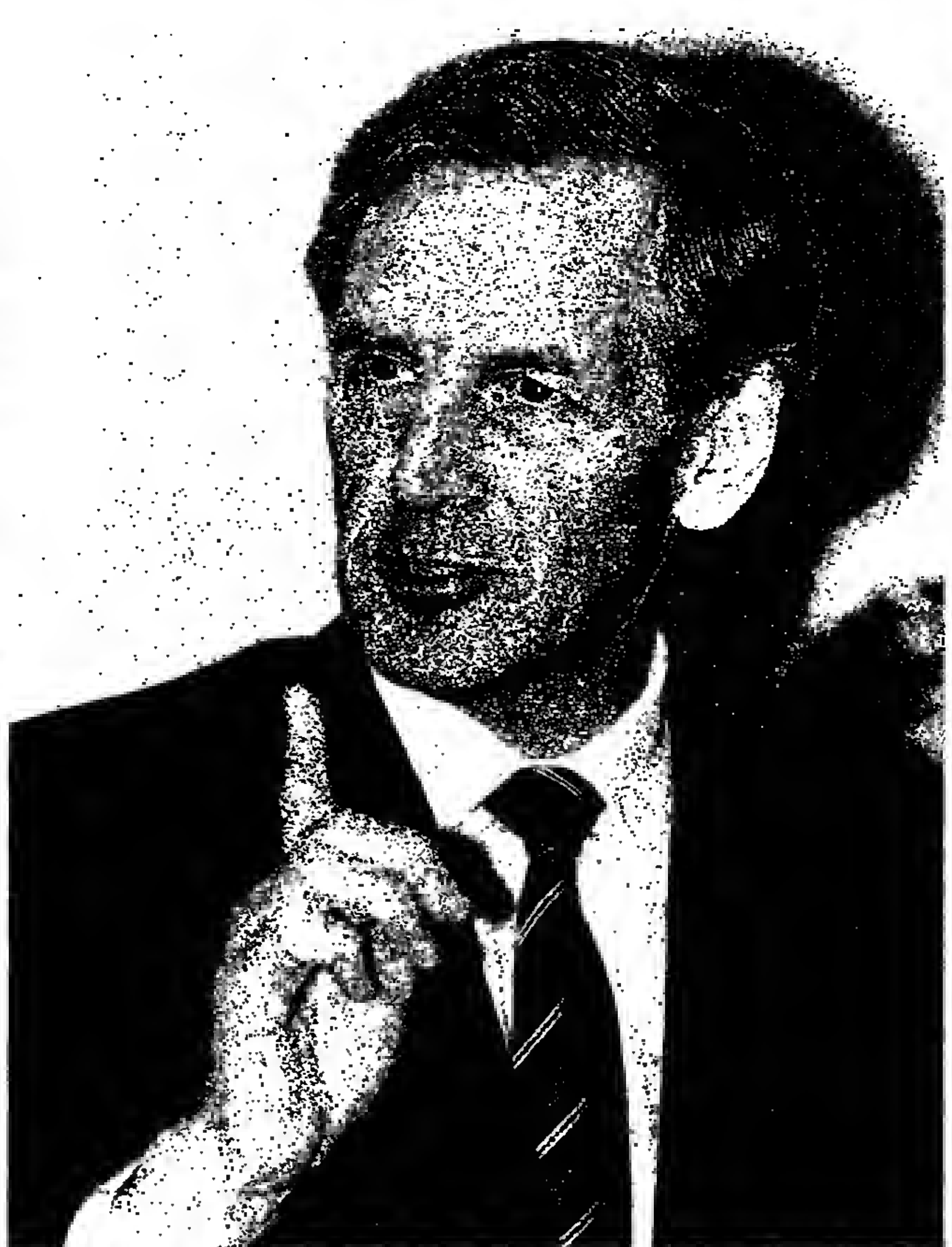
It has already announced a 50 per cent rise in pre-tax profits to DM1.79bn. Net income was 24 per cent higher at DM1.21bn.

Operating profits before risk provisions in the first two months of this year were 22 per cent higher at DM626m. The bank was "fully satisfied" with its performance in January and February, with net interest income and commission income both at least 20 per cent higher.

Giving more details of 1996 performance, Mr Kohlhaussen said net interest income rose 14.5 per cent to nearly DM6bn, helped by increased lending – up 19 per cent to DM309bn – and higher profits on treasury business.

Commission income was 19 per cent higher at DM2.29bn, with securities business up nearly a third. But own-account trading profits fell marginally to DM450m.

Mr Kohlhaussen expected the investigation by public prosecutors into alleged tax evasion by the bank to be over soon "after promising discussions". It had made more than adequate provision to cover any extra payments needed. Prosecutors widened their probe last year to include Mr Kohlhaussen, though their interest concerned the bank's tax affairs and not his personal taxes.



Commerzbank chairman Martin Kohlhaussen: urged politicians to tackle structural change

Dow Jones announces Microsoft online service deal

By Richard Waters in New York

Dow Jones pushed ahead yesterday with plans to revamp its online information business, in spite of calls from some shareholders to rethink the $650m overhaul.

The move comes less than a week before the annual shareholders meeting of the family-controlled company, at which three executives from other companies are expected to be elected to the board.

Some investors have said the three should be given the power to carry out a review of Dow Jones' investment plans.

However, the company announced a partnership with Microsoft to begin designing a new technology infrastructure for its online services. The infrastructure is central to the $650m investment announced earlier this year to revamp the flagging business, which has lost ground to rivals such as Bloomberg and Reuters.

The deal could give a lift to Microsoft's Windows NT, a *computer operating system* for businesses. The system has made inroads against competitors such as Novell and is projected to account for nearly a fifth of the servers that support computer networks by 2000, according to International Data Corp, a market research company.

Working closely with Microsoft would enable Dow Jones to stay "ahead of the technology curve", Mr Kenneth Burenga, Dow Jones president, said. Earlier attempts to revamp the online service, which is based on the Telerate system, have failed to produce a product capable of winning back market share.

Unlike the rival Bloomberg *system*, the new system will be based on Internet technology. The choice of systems showed that the company was "leading the way as the financial services industry reinvents itself", Mr Bill Gates, Microsoft chairman, said.

Dow Jones' shareholders are expected next week to back Mr Harvey Golub, chairman of American Express, Mr Frank Newman, chairman of Bankers Trust, and Mr William Steere, chairman of Pfizer to join the company's board.

Watching brief, Page 23

Ralph Lauren plans $600m offering

Designer marks latest fashion flotation

By Richard Tomkins in New York and Alice Rawsthorn in London

Ralph Lauren, the US fashion designer, yesterday announced a $600m initial public offering of shares in his company, the New York-based Polo Ralph Lauren.

The company is the latest in a series of fashion and luxury goods businesses to exploit strong demand for their products by floating on the stock market. Others have included Donna Karan and Gucci.

Polo Ralph Lauren makes what it calls "premium lifestyle products" in four categories: clothing, home furnishings, accessories, and fragrances. Its brand names include Polo, Polo by Ralph Lauren, Polo Sport, Ralph Lauren, RALPH, Lauren, Polo Jeans Co. and Chaps.

In the year to March 1996, it made pro forma net profits of $98.8m on revenues of $1.1bn, up from $80.2m on revenues of $847m the previous year. Including the revenues of its licensing partners, world-wide wholesale sales of its products totalled $2.5bn last year.

Ralph Lauren, one of the most successful US fashion designers, is regarded as a role model in the luxury goods industry for successfully applying his brand names to mainstream products such as T-shirts and sportswear.

He made his name in the 1970s for his contemporary versions of classic "preppie" styles, such as polo shirts.

The business has since expanded internationally. L'Oréal, the French cosmetics group, has the rights to sell his perfumes, which include Safari for Men, the world's best-selling male fragrance.

The Lauren group is controlled by the designer's family. But Goldman Sachs, the US investment bank, which has a 28 per cent stake, is now underwriting the share offering with Merrill Lynch and Morgan Stanley, two other US investment banks.

Gucci's share price has trebled *since its flotation* in autumn 1995.

Other fashion houses, however, have had a tougher time. Shares in Donna Karan, the last high-profile New York fashion designer to go public, have fallen to half their value at the time of last summer's share issue.

Despite Donna Karan's experience, a number of other designers are considering flotation plans.

Valentino, the flamboyant Italian designer, has hired Goldman Sachs as his financial adviser, and Gianni Versace, his compatriot, recently *affirmed that his* company may go public next spring.

Barry Riley

Old age and taxes worry European pension funds

Continental pension fund managers are greatly relieved that the threat of sub-5 per cent bond returns has receded, with the yield on benchmark D-Mark bonds having jumped from below 5.5 per cent to 6 per cent inside two months. Japanese pension funds are not *so lucky, with the 10-year* JGB yield diving to an all-time low of 2.1 per cent yesterday.

When, in 1994, AMP Asset Management published a report on threats to European company pension schemes, the risk of a fall in investment returns was highlighted. But its latest review, *European Pensions**, researched by First Consulting, emphasises that this threat has not materialised yet – quite the reverse.

In fact final figures released yesterday by Caps, the British performance measurer, showed a 10.8 per cent median 1996 investment return for UK funds, and 32.5 per cent for 1995 and 1996 in aggregate. It is enough to make Japanese investment managers weep.

But most of the other 1994 warnings were justified. State schemes have come under demographic pressure from an ageing population, earlier retirements and higher unemployment. Benefit cuts are causing political unrest and the pressures are being passed on to company schemes, in those countries where they exist.

The new AMP survey covers the experiences of 33 companies in the UK, the Netherlands and Germany. In Germany the biggest threat is seen as population ageing, but in the UK it is tax legislation, presumably because of worry over a Labour government.

The survey also refers to Switzerland, where 1995 legislation has ended the former opportunity for companies to benefit from greater job mobility because employers could reclaim their contributions in respect of service of less than five years. The result has been a shift from defined benefit schemes (which have in effect been made more expensive for employers by the new regulations) to defined contribution plans, which do not carry the employer's guarantee of benefit levels.

> Benefit cuts cause political unrest and the pressures are being passed on to company schemes

In the UK the Pensions Act poses a similar problem: measures to improve the security of pensions may encourage employers to switch to inferior schemes, and thus perversely increase employee risks in the longer term. The full UK regulations came into effect this week, and thousands of small- and medium-sized companies may not fully understand the criminal consequences of failing to comply rigorously.

Hence there has been an accelerating move towards defined contribution structures – which AMP suggests could hold more than 50 per cent of pension fund assets with 10 years, against 10 per cent or less today.

It should be said, however, that other consultants have found that many companies reviewing their schemes have decided to stick with defined benefit plans. And although it might seem like good business practice to offload investment risks on to the workforce, is it sustainable in the long run? If the investments go wrong there will be moral pressure on employers – bigger ones, anyway – to plug the gaps.

In demographically-challenged Germany, meanwhile, half the company schemes contacted reported they were having to cut benefits, especially for early retirement. And the book reserve system (pension liabilities are usually carried within company balance sheets in Germany, and not separately financed) has meant company schemes have failed to benefit from the recent extended period of good investment returns. But even in Germany one company was found to have switched to a defined contribution plan.

As for performance, if the markets *do falter this year*, will it be worth hiring a hot-shot manager? Not according to Caps, which finds managers with high performance benchmarks (such as 1 per cent annually above the median return over rolling five-year periods) usually fall well short.

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Fresenius issue to fund expansion

By Graham Bowley in Frankfurt

Fresenius, the German health products group, yesterday unveiled plans to issue 2m new preferred shares later this year to fund further expansion.

Analysts said the issne could raise about DM600m ($355m).

The announcement coincided with the company's announcement of a 45 per cent rise in 1996 net profits from DM91m in 1995 to DM132m, boosted by a 63 per cent increase in sales, from DM2.24m to DM3.64bn. Strongest sales growth came in Germany and other European markets.

The group lifted common and preferred dividends for 1996 by 30 pfennigs each to DM1.80 and DM1.90, respectively. Earnings per share rose from DM5.17 to DM7.05.

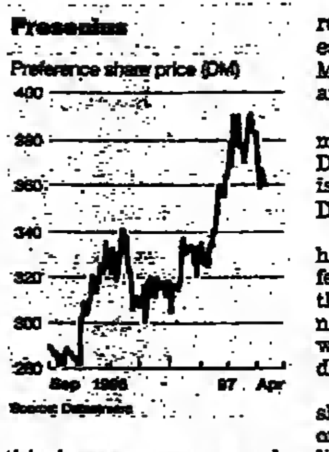
Mr Gerd Krick, chairman, said the company planned to make between DM750m and DM800m of new investments in 1997, of whicb up to DM550m would be invested in Fresenius Medical Care, its medical dialysis subsidiary.

FMC, the world leader in renal care, was formed last September when Fresenius acquired National Medical Care, the dialysis chain of W.R. Grace of the US.

FMC announced a 7 per cent increase in 1996 sales to $3.05bn, of which $2.28bn was generated in the US. The figures are on a pro forma basis, representing sales as if the reorganisation creating FMC had been completed on January 1 1996. Net profits, on a pro forma basis inclnding extraordinary charges, were $44m, down from $71m in the previous year.

Fresenius said for 1997 it expected continued sales and profits growth. Analysts at BZW said the company's 1996 sales figures were below expectations, but that net profits were in line with forecasts.

"Given that this includes FMC for the first time [consolidated for one quarter],



this is even more remarkable, as FMC had to bear extraordinary restructuring costs of $34m, which will result in significantly higher earnings afterwards," said Mr Andreas Schmidt, an analyst at BZW in Frankfurt.

BZW said that at an estimated share price of about DM300, the planned share issue would raise about DM600m.

Fresenius said current holders of common and preferred shares would be entitled to one new share for nine old. The new shares would be entitled to the 1997 dividend.

The price of the new shares was likely to be fixed on April 22 and would be listed on May 16.

Fresenius preferred shares closed yesterday at DM360, down DM7.50.

Merger success with Bologna ease

'Simple strategy' of committed regional banker steers Rolo Banca restructuring

A Bank of Italy inspection team has arrived but Mr Cesare Farsetti seems unconcerned. If anything, he is mildly amused.

"They have come to find ont how we managed to merge two banks in only six months – an absolute record in Italy, you know – and bow in the first year the merged group increased its profits by 144 per cent," explains the managing director of Rolo Banca 1473, as the combination of Credito Romagnolo and Carimonte was renamed at the beginning of last year.

The performance of Rolo, as the Bologna-based bank is commonly known, stands out in the troubled Italian banking industry, with its average return on equity of barely 2 per cent. Last year, Rolo's return on equity rose to 12 per cent, with net earnings more than doubling to L408bn ($242.4m) and its deposits rising from L40,597bn in 1995 to L46,200bn.

The bank also tripled its dividend payout to the equivalent of L617.5 when a free distribution of shares is taken into account.

For Credito Italiano, the large Milan-based bank and Rolo's controlling shareholder, these results were a welcome relief. The year after Credito Italiano was privatised in 1993, it took some of its institutional investors by surprise by making a call for fresh funds to mount a hostile bid for Credito Romagnolo.

Credito Italiano finally won the battle for Credito Romagnolo against Cariplo, the country's largest savings bank. But it paid a high price for tbe 78 per cent stake it acquired in April 1995. The total price for the controlling interest was L3,770bn. Credito Italiano provided L3,050bn of the investment while the balance was split between the RAS insurance group and tbe Carimonte regional bank.

Until recently, many analysts found it difficult to justify the price. But they have begun to re-assess the acquisition following the successful merger of Credito Romagnolo and Carimonte and the latest set of financial results.

For Credito Italiano, the principal aim of the deal was to reinforce its network in Emiglia-Romagna and the north-east, among the richest regions of Italy. It is in these regions where profitable family-controlled medium sized enterprises dominate, forming what is traditionally known as "the Italian industrial model".

Mr Farsetti, who had already successfully merged two small banks to form Carimonte, adopted wbat be calls "the same simple strategy" with the Rolo merger. "I reduced the staff by 10 per cent and increased the bank's activities by 15 per cent, and this gave us the L406bn profit in 1996," be says.

The group has seen its workforce fall from 10,000 to around 8,700. The number is expected to decline further this year. But while cutting staff, he has also expanded the group's network by opening new branches.

To improve productivity further, he reduced what be cousidered as unnecessary bureaucratic layers in the group's branch structure. He also switched dramatically the balance between back office and front office staff.

"When we took over Credito Romagnolo about 25 per cent of staff was in the front office and 75 per cent were working in the back office. Today 78 per cent are in the front office and around 22 per cent in the back office," he says.

Cesare Farsetti: Rolo's strength is its close relationship with the local community *Carlo Carchiol*

With more than 65 per cent of the bank's activities centred in tbe Emiglia-Romagna region and another 19 per cent in the north-east, Mr Farsetti saya Rolo intends to remain firmly rooted as a local bank. "Our strength is in our close relationship with the local community," he says.

Mr Farsetti himself is a classic example of a local banker. For many years he worked for Credito Italiano in the region, but left the big bank for a small regional one when Credito Italiano wanted to move him to Turin. "I wanted to stay here," he says.

Well-known locally for his tough management approach, he spends considerable time cultivating local clients while he is not checking the group's various branches with surprise and not always welcome visits.

Credito Italiano has decided to maintain Rolo as e separate entity until et least the turn of the century, althougb activities are expected to be slowly consolidated into those of Credito Italiano over the next few years.

But whatever happens, Mr Farsetti will continue to defend the local character of his bank.

"That's our biggest asset. We are based in one of the finest regions of Italy and there is no better place to be a banker in this country."

Paul Betts

Exor builds Club Med holding

By Andrew Jack in Paris

Exor, the French investment vehicle controlled by the Agnelli family of Italy, has in the past few weeks increased its stake in the leisure group Club Mediterranée to 19 per cent, asserting its role as the dominant shareholder.

The action comes after Exor played an instrumental role in pushing for a wide-ranging restructuring at the group in recent months, culminating in the surprise appointment in February of Mr Philippe Bourguignon, the former chairman of the Euro Disney theme park, as the new chairman.

It also follows the unwinding last December of a formal shareholder pact, in which the five largest investors in Club Med had each agreed since 1990 to limit their participation to 13 per cent and to offer pre-emption rights on the sale of their shares to each other.

Exor, which had long held a small stake in Club Med, boosted its holding from 3 per cent to 13 per cent in 1995 when it bougbt shares previously held by Crédit Lyonnais and the UAP insurance group, and subscribed to a rights issue.

Its interest partly reflected its belief in the importance of developing the market for tourism in Asia – a central part of Club Med's strategy – but it was believed to have become increasingly frustrated with the performance of the company in the past few months.

Club Med's shares fell 17 per cent last October after a warning that second-half operating profits would be less than expected. After appointing management consultants to reconsider tbe strategy, with the encouragement of Exor, it unveiled losses of FFr743m ($130m) in February after taking provisions of FFr820m.

The shares bounced back sharply after the appointment of Mr Bourguignon, replacing Mr Serge Trigano, son of one of the founders of the company, who became head of a supervisory board.

Sources close to Exor suggested yesterday that it was not the group's style to launch full takeovers or to be too directly involved in management, although it already holds two seats on the Club Med board.

Exor's other interests in France include participations in the diversified Bolloré group, Chateau Margaux, and considerable real estate.

EUROPEAN NEWS DIGEST

Volvo silent on Mack bid report

Volvo, the Swedish automotive group, yesterday declined to comment on a report that it was studying a bid for Mack, the North American truck division of France's Renault. The idea was described as "pure fantasy" by Renault, and both groups stressed no talks had taken place. A Volvo spokesman said it was "normal business for a company of our size to look . . . at other competitors", but would not say whether internal studies had identified Mack as an acquisition target.

Renault and Volvo, which called off a merger in 1993, have been barely profitable in their North American truck operations in the past two years. Volvo is committed to raising its market share from 10 per cent now to between 12 and 13 per cent in the short term, and higher in the long term. Volvo recently recruited Mr Marc Gustafson, formerly a senior executive at Mack, to head its North American truck operations. The two companies together have about 19 per cent of the US heavy-truck market behind market leaders Freightliner, which is owned by Mercedes, and Paccar. These have about 30 per cent and 22 per cent respectively. Volvo's most-traded B shares ended the day down SKr2.5 at SKr190.50.

Lex, Page 16 *Greg McIvor, Stockholm*

Croatian bank gets IBCA rating

IBCA, the European credit rating agency, yesterday assigned a long-term triple B rating to Zagrebacka Banka and gave it a legal rating of 2. The assignments reflect the agency's opinion that ZB would be supported by the Croatian government if the need emerged.

The Zagreb-based former foreign trade bank has developed into a full-service bank in recent years, providing corporate, retail and investment banking. The agency notes that the bank, which has a heavy exposure to the recovering tourist sector, is well capitalised with a 12.7 per cent capital adequacy ratio according to BIS criteria. The bank, which operates largely in areas relatively unaffected by the recent war, still has problem loans of ebout 20 per cent of unconsolidated lending, much of it connected with war damage to tourism and other sectors.

The bank's future financial strength "will depend largely on the pace of recovery of the Croatian economy, which is closely tied to revitalisation of the previously flourishing tourist industry", the agency concluded.

Anthony Robinson, East Europe Editor

Lain, Pacsa in merger talks

Lain and Pacsa, the Spanish construction groups, are in "intensive" talks about a possible merger, Hochtief, the German construction group which owns a 44 per cent stake in Pacsa, said yesterday. However, Hochtief cautioned that the conditions for the possible merger were still unclear. "The exact conditions for the merger are not being discussed at the moment. It is not clear how it will work," the group said.

The development follows the move by Hochtief last month to expand its international influence by forming a joint venture with rival German construction group Philipp Holzmann after a fierce two-and-a-half year takeover battle.

The joint venture, which created one of the world's top 10 construction concerns, will allow the companies to focus more strongly on foreign expansion. The construction sector has been one of the hardest hit in Germany. Orders have declined sharply at home, not least because of the trend for domestic German companies to invest abroad and cut back at home.

Graham Bowley, Frankfurt

CORRECTION

Engen

Engen, the South African oil retailer which reported interim results on Monday, has kept the interim dividend flat at 36 cents, and not lifted it to 65 cents as reported in yesterday's Financial Times. Energy Africa's contribution to Engen's net income increased to R8m ($1.8m) from R1m, not from R7m.

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April 9, 1997

By: Citibank, N.A. (Corporate Agency & Trust), Agent Bank CITIBANK

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9th April, 1997 — Orient Semiconductor Electronics, Limited

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Sankorp embarks on Malbak repackaging

The unbundling of Malbak, the South African industrial group with interests spanning most of the country's non-mining economy, looks like a textbook illustration of a sprawling conglomerate adapting to the pressures of the modern world.

Shareholders in the $1.6bn group recently approved its transformation into a focused packaging business, when the sale of Malbak's other subsidiaries is completed this month. The move is the latest in a series of reforms routinely touted as evidence that South Africa's mighty conglomerates are following the worldwide trend towards greater focus on core businesses.

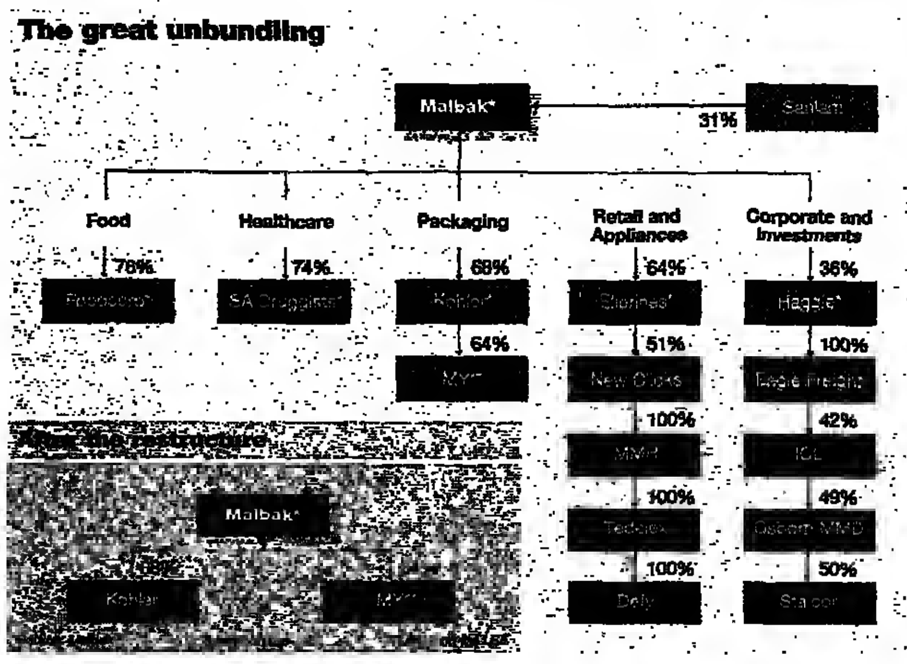
But there is scant evidence that the disposals reflect a change of heart among industrialists, who have long been criticised for the complex web of cross-shareholdings among local conglomerates. Enthusiasm for unbundling is confined largely to a single institution, Sanlam, the mutual life assurer created as a vehicle for Afrikaner economic empowerment in 1918, and which holds a a controlling stake in Malbak.

Sankorp, an unlisted industrial holding group set up by Sanlam to build strategic stakes in South Africa's biggest industries, is the real prime mover. The Malbak unbundling follows Sankorp's sale last year of a 30 per cent stake in local oil retailer Engen to Petronas, the Malaysian oil and gas group, and the 1994 unbundling of Gencor, the country's second-largest mining group.

Last week, Sanlam announced it would cede control in Metropolitan Life, the leading life assurer in the black consumer market, to New Africa Investments, South Africa's biggest black-controlled company.

This process reflects a strategic shift at Sanlam, which is converting Sankorp's controlling positions in strategic industries to straight portfolio investments. Sanlam hopes the switch to more streamlined capital structures will add to the book value of these investments. But its decision to abandon control owes less to the recent fashion in management theory than to a worldwide shift in the pensions industry.

The demise of funds offering defined benefits has put pressure on institutions to develop performance-related funds. "Now that the benefits depend on the performance of the investments, managers want more flexibility to move in and out of counters," says Mr Dave Brink, Sankorp chief executive. "We will become an investment banking type operation with normal portfolio investments."



Sankorp's traditional role as "a vehicle for Afrikaners to get their hands on the economic steering wheel" has been consigned to history. In future, it will concentrate on providing development finance to new businesses, and particularly to the emerging black business sector. Its parent, Sanlam, will concentrate on its core financial services business.

As South Africa returns to the global economy, this new emphasis has been credited with improvements in the share prices of the unbundled subsidiaries, attracting foreign investment, and creating opportunities for black economic empowerment.

In contrast to previous disposals, however, the unbundling of Malbak challenged executives to select a core business from its diverse array of interests. They initially concluded there was no obvious choice, and in November last year announced plans to disband Malbak. But that plan was revised in February.

The company which succeeds Malbak will be a focused packaging group, combining a 68 per cent interest in Kohler, the country's third-biggest packaging group, and 64 per cent of MY Holdings, the UK supplier of specialist pharmaceutical packaging which is listed in London.

The new company, which has still to be named, will have a market capitalisation of at least R2bn ($452m) and about 30 per cent of earnings will be in sterling.

Shares in other subsidiaries will be distributed directly to shareholders. These subsidiaries include Ellerine Holdings, a furniture retail group; Foodcorp, a food producer; SA Druggists, a pharmaceutical supplier; and New Clicks, a high street retail chain.

Disposals of unlisted subsidiaries have already generated R131m, and Mr Brink expects "a number of European companies" may bid for others.

The group is poised to net a further R85m from selling control of Haggie, its engineering subsidiary, to Scaw Metals, a division of Anglo American Industrial Corporation, and has received a conditional offer for ICL, a computing specialist. Defy, an electronic goods retailer, has been bought out by management.

Although the general trend is towards reducing the size of its industrial investments, there are some notable exceptions.

Sankorp will consolidate its influence in areas which offer synergies with its core business, or the potential to generate larger returns from any future unbundlings.

It will therefore retain its stake in SA Druggists, in which it already holds an independent interest outside Malbak. Analysts say the company could find a home in Sanlam's managed healthcare business. Sankorp has also swallowed the unbundled company's stake in Malbak Motor Holdings, distributor of 16 Japanese and European vehicle marques, for R265m cash.

This could herald closer ties between MMH and Avis, the car rental group owned by another Sankorp-controlled conglomerate, Servgro. A merged operation would challenge Imperial, the current leader in the car rental market, and enhance the value of Servgro before it, too, is unbundled later this year.

Mark Ashurst

Suez chief will head merged unit

By Andrew Jack in Paris

Mr Gérard Mestrallet, chairman of Suez, the French holding company, is to gain operational control of the combined group formed after its proposed merger with Lyonnaise des Eaux, the utilities, construction and communications business.

He will head an executive board, while Mr Jérôme Monod, chairman of Lyonnaise, will take charge of a supervisory board responsible for strategic decisions once the merger comes into effect in June.

The details emerged in an interview given by Mr Monod to Le Figaro newspaper, ahead of a formal discussion of the merger by the boards of the two groups scheduled for Friday, and a vote by shareholders at their respective annual general meetings in the summer.

It also emerged yesterday that Suez is likely to pay an exceptional total dividend of about FFr3.8bn ($660m) ahead of the merger, much of which represents the proceeds of the sale last year to Crédit Agricole of its banking arm, Banque Indosuez.

OMV targets central Europe in growth plans

By William Hall in Vienna

OMV, Austria's biggest industrial company, yesterday unveiled plans to invest almost Sch20bn ($1.6bn) over the next three years in a campaign to become central Europe's leading oil and gas company.

The group, which increased its capital spending by more than 70 per cent last year to Sch6.8bn, earns two-thirds of its profits from gas transmission. However, Mr Richard Schenz, chief executive, indicated that most of the new investment would go into oil and gas exploration and the expansion of its petrol retailing business.


Richard Schenz: stepping up oil and gas exploration

About half of the 1.92m tonnes a year of oil produced by OMV comes from its Austrian oil fields. Production, however, is declining and the company is seeking to replenish its reserves by participating in projects as far afield as the North Sea, Libya, Albania and Pakistan.

OMV, one of the smaller integrated oil companies in a business increasingly dominated by much bigger groups, faces increasing competition in its downstream activities from companies such as British Petroleum and Mobil. Its exploration and production business returned a pre-interest profit of Sch250m in 1996, primarily because of rising oil prices.

Mr Heinrich Stahl, the company's new chief financial officer, said the aim was to reduce its oil-discovery costs from $19 a barrel to $13 a barrel by the turn of the century.

OMV is also looking to build up its downstream marketing activities, which returned to profit in 1996 with a pre-interest contribution of Sch120m on net sales of Sch21.1bn. In Austria, where it is the market leader in petrol retailing, it increased its market share in spite of reducing the number of stations to 726. By 1998 it plans to have reduced its domestic network to 570 stations and increased its foreign network by around one-fifth, giving it a total of 1,000 outlets. This should mean a 15 per cent share of an enlarged market taking in Hungary, Slovakia, Czech Republic, southern Germany, Slovenia, Croatia and part of northern Italy.

OMV hopes this will help offset the poor profitability of its refining operations, which accounted for 38 per cent of total sales and less than 5 per cent of profits last year. It should also compensate for the weak global position of its plastics and chemicals businesses.

The company has already indicated that 1996 net profit rose 14 per cent to Sch1.98bn, or Sch73 a share, on a 7 per cent increase in sales to Sch78.3bn. It plans to increase its dividend by 15 per cent to Sch23 a share.

Bank gets full Zagreb listing

By Guy Dinmore in Zagreb

Varzdinska Banka, the Croatian bank, yesterday became the third company to be fully listed on the Zagreb Stock Exchange, with a market capitalisation of about 300m Croatian kuna ($50.1m), Mr Zelko Kardum, bourse spokesman, said.

Varzdinska, in which the European Bank for Reconstruction and Development has a 10 per cent stake, joins the pharmaceuticals group Pliva and Zagrebacka Banka to be fully listed on the fledgling exchange, which has a total market capitalisation of about 14bn kuna.

About 30 other Croatian companies are traded on the bourse, but with less rigorous reporting requirements.

Kras, a confectionery producer, may become fully listed later this year, and is expected to be followed by the food-processing company Podravka after it restructures its debts, Mr Kardum said.

Trading volume on the Zagreb exchange reached a total of 520.7m kuna in March, an increase of nearly 404 per cent over February. However, the market fell sharply at the same time, losing 21.4 per cent of its value.

Mr Kardum said foreign investors were worried about forthcoming local and presidential elections and the situation in eastern Slavonia. Croatia lost control over the region during the war in the former Yugoslavia, but is to regain its authority by July 15, when a UN mandate there expires.

Croatia has privatised more than half of its state-owned enterprises and hopes to compete with Slovenia and Hungary to become a centre for capital markets in the region. Pliva is listed on the London Stock Exchange and Zagrebacka Banka is traded on Seaq.

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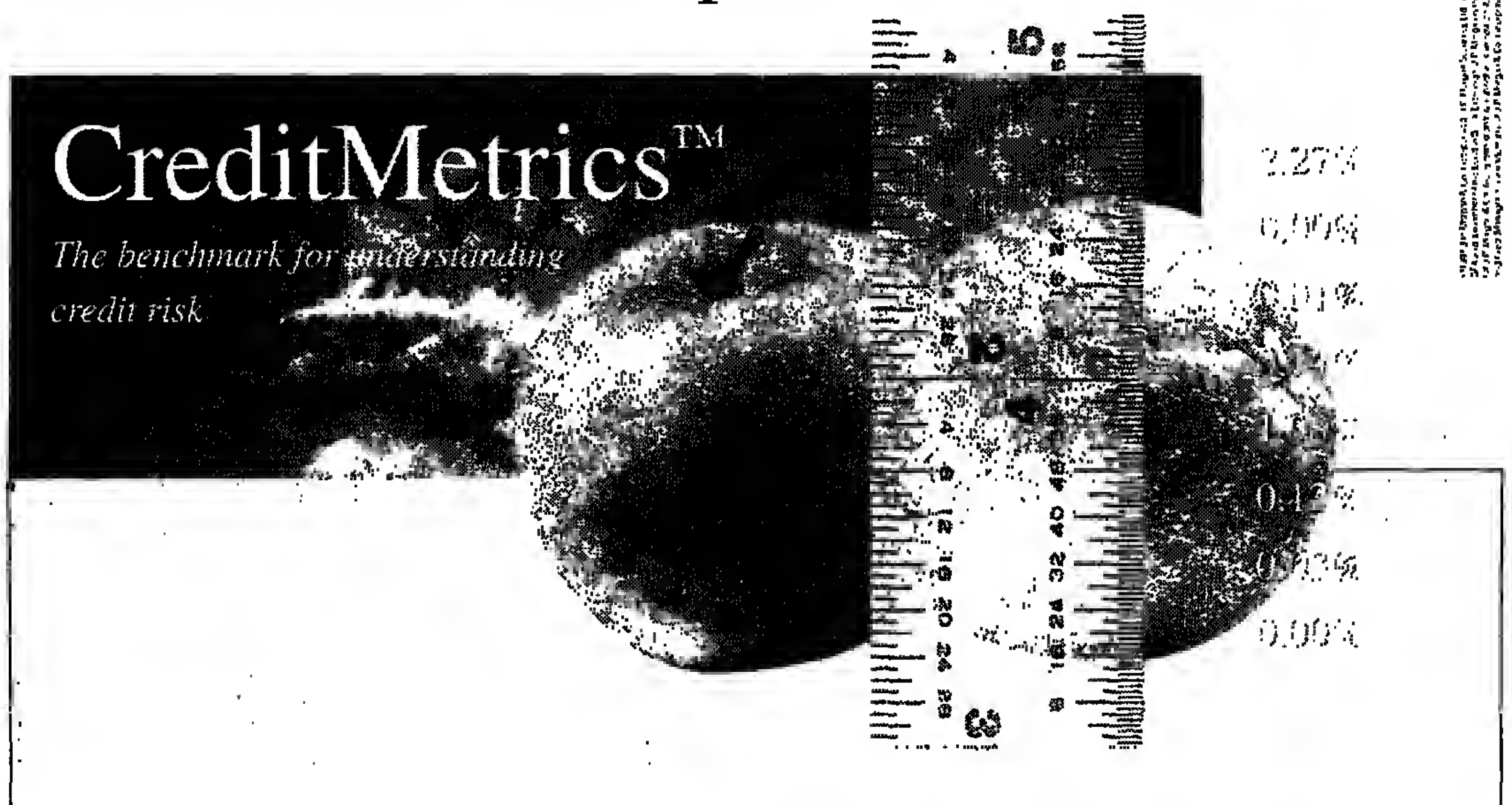

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Enersis units plan $4.2bn investment

By Imogen Mark in Santiago

The subsidiaries of Enersis, the Chilean utility-based holding, are to invest $4.2bn over the next five years – $2.5bn in domestic operations, and $1.7bn in Argentina, Brazil and Peru.

The plans, announced yesterday by Mr José Yuraszeck, chief executive, did not include the group's possible participation in future privatisations in the region, he said.

In Chile, the group expects to double its generating capacity over the next seven years. At a shareholders' meeting last week, Mr Yuraszeck said that Endesa, the main generating subsidiary, would invest $1.9bn over the next seven years in six new plants, new transmission lines and two gas pipelines – one in central and one to northern Chile. On the northern pipeline, in the Atacama desert, Endesa is competing with two other rival projects, but Mr Yuraszeck said the company was firmly committed to its project.

In the south, its next large hydroelectric project, Ralco, which will cost $550m, has been questioned by environmental and native Indian groups, and has not yet been approved by the government's environment commission. The group is also under investigation in the anti-monopoly commission over possible unfair practices because of its integrated structure – it owns generating, transmission and distribution facilities.

Presenting the group as "Chile's first multinational", Mr Yuraszeck said Enersis had expanded its operations enormously over the past five years. From its base in Chilectra, the Santiago distribution company, it had gone into generation via its control of Endesa, consolidated last year, and into real estate, infrastructure and a water utility.

Outside Chile, it has operations in Argentina, Peru, Brazil and Colombia. Market capitalisation has grown eight-fold over those years, to its current $4.1bn, and the group ranked third among Chilean companies last year on profits.

Argentine and Peruvian subsidiaries accounted for 31 per cent of profits last year, and Endesa generates more energy outside Chile than inside, Mr Yuraszeck said. In 1990 the group employed 3,051 people; last year it employed 14,276.

Mr Yuraszeck emphasised the group's access to both domestic and international capital and credit. Last year Enersis raised $285m in an offering in Santiago and New York through an American Depositary Receipt programme, $800m in a Yankee bond issue, and $500m in an international syndicated bank loan. Endesa raised a further $650m with a bond issue which included a $200m tranche at 100 years.

AMD posts surprise profit

By Christopher Parkes in Los Angeles

Advanced Micro Devices, the US chip maker which last week unveiled a micro-processor to rival market leader Intel's more costly offering, made an unexpected profit of 9 cents a share in the first quarter.

The result, which confounded analysts' predictions of a loss of up to 3 cents and included stronger-than-expected revenues, led several securities houses to upgrade the company's shares after the announcement was made late on Monday, after the stock market closed.

AMD stock was trading 7 per cent higher at $44¼ by late morning yesterday, continuing a recovery which has seen the shares double since the turn of the year.

Mr Jerry Sanders, AMD chairman, said all the company's businesses had improved on the closing quarter of 1996, when AMD reported a loss of $21.2m, or 15 cents a share.

Market confidence was further boosted by his announcement that shipments of the new chip would be increased dramatically in the coming months, accompanied by a consumer marketing campaign.

AMD caused a stir last week with the unveiling of the K6, a microprocessor for personal computers which can handle calculations faster than the Intel Pentium Pro chip, and which sells for 25 per cent less than the market leader's product.

Jerry Sanders: shipments of new chip would increase dramatically in coming months AP

The "K" prefix in AMD product names stands for Kryptonite, the fictional mineral with the power to disable Superman.

Mr Sanders said only 10,000 K6 chips were shipped in the quarter under review, but the volume would rise to hundreds of thousands in the current quarter and millions in the period to end-September.

However, he added that the recovery in the quarter – with higher prices for previous-generation K5 chips and increased revenues from flash memory and programmable-logic products – "demonstrated we could be a profitable company even without the sizeable benefit of the K6".

After a profit of $25.3m, or 18 cents a share, in the first quarter of last year, AMD reported losses in the following nine months as a result of the industry-wide downturn and delays with K5 deliveries.

The company's average chip prices rose 50 per cent in the quarter under review, Mr Sanders said.

Net income for the period was $12.95m on revenues up 1.4 per cent from $544m to $552m in the first quarter of 1996.

Officials made C$77m profit on Bre-X stock

By Scott Morrison in Vancouver

Officials at Bre-X Minerals, the controversial Canadian exploration group, made C$77m (US$59m) in profits from the sale of company stock last year, but the company insists the executives lost more than anyone when the size of its Indonesian gold deposit was called into question.

Mr David Walsh, Bre-X president; his wife, Mrs Jeannette Walsh, a director; and Mr John Felderhof, company vice-president, sold C$113.8m worth of shares of Bre-X and parent company Bresea Resources in 1996, regulatory documents show. The three spent C$36.6m acquiring the shares at a discount by exercising options. But they did not make trades during the first two months of this year.

"In terms of overall holdings, it was a minuscule amount of stock. The fact remains that the Walshes still have 97 per cent of their stock," said Mr Richard Wool, a spokesman for the company.

Dealings by Bre-X officials were put under the spotlight late last month when the size of the company's Busang gold deposit in Indonesia – estimated at 71m ounces by Bre-X – was called into question.

The company's partner, Freeport McMoRan Copper & Gold, said it had found "insignificant" amounts of gold at the site, sparking panicked trading in which Bre-X's market value fell by 85 per cent, or C$3.12bn.

Further testing by Freeport and a report by an independent auditor is due by the end of this month.

Regulatory documents from Ontario and Alberta indicate that the Walshes and Mr Felderhof participated in a flurry of trades in August 1996, at a time when Indonesian authorities withdrew an exploration licence for Bre-X. That information was not disclosed until October.

"They did not believe that was a material item because they still had valid permits to work on the site," Mr Wool said.

However, the company's failure to disclose its difficulties with Indonesian authorities has concerned some analysts.

Dealings by Bre-X officials made in March were not included in the regulatory documents.

Company executives have until April 10 to report any March trades to the Ontario Securities Commission.

AMERICAS NEWS DIGEST

TCI in deal with Disney and Hearst

Tele-Communications Inc's TCI Communications unit said it had reached agreements with various subsidiaries of Walt Disney and the Hearst Corp to cover carriage of Disney Channel, ESPN, ESPN2, ESPNEWS and a number of broadcast stations owned and operated by Disney's ABC unit and by Hearst. As part of these agreements, Disney has given TCI Communications the flexibility to carry the Disney Channel on various service tiers throughout its cable television systems. Specific terms of the agreements were not disclosed. *Reuter, Colorado*

Santista expands

Santista Alimentos, the Brazilian food processor, has bought Incobrasa's soyabean processing and warehousing facilities in the key growing state of Rio Grande do Sul. The deal was valued at $80m according to traders, although the company declined to put a value on the purchase.

Santista, a subsidiary of Bunge y Born, said the deal included two soyabean processing plants with a combined capacity for crushing 5,700 tonnes a day, three warehouses and Incobrasa's terminal at the southern port of Rio Grande. *Reuter, Rio de Janeiro*

Nestlé in Peruvian purchase

Nestlé, the Swiss foods group, has bought 98.7 per cent of Peru's largest ice-cream and confectionery company D'Onofrio, the Lima Stocks and Securities Board said. Nestlé would announce the price later, the board said.

Investors on the Lima Stock Exchange reacted positively to the conclusion of a deal that the two companies have been negotiating for about a year. D'Onofrio, a Lima blue chip stock, rose 6.38 per cent to 1.50 soles in early trading. *Reuter, Lima*

Evergreen to sell stations

Evergreen Media, the US radio broadcasting group, is to sell three radio stations for $64.1m in cash. The company will sell WEJM-FM Chicago to Dontron for $14.8m; WEJM-AM Chicago to Douglas Broadcasting/Personal Achievement Radio for $7.5m and WFLN-FM Philadelphia to Greater Media Radio for $41.8m. *AP-DJ, Texas*

Microsoft Explorer updated

Microsoft unveiled Internet Explorer 4.0, the latest version of its internet client suite, which offers integration with the user interface in the Windows operating system and will include advanced browser capabilities, e-mail, data and video conferencing, applications sharing, editing and webcasting "push" capabilities. *AP-DJ, Washington*

Ameritech to buy Sprint unit

Ameritech and Sprint, the US telecoms companies, have announced a definitive agreement under which Ameritech will purchase the assets of Sprint's local communications business – formerly known as Sprint/Centel – that operates in a small portion of northwest Chicago and 10 nearby suburbs. Financial details were not disclosed.

Under the agreement, Ameritech will purchase from Sprint the local exchange business that serves some 136,000 residential and business customer access lines. *AFX News, Chicago*

All of these securities having been sold, this announcement appears as a matter of record only.

NETCOM

NetCom Systems AB (publ)

Global Offering of 8,000,000 Series B Shares
in the form of Series B Shares or American Depositary Shares

of which 6,000,000 Series B Shares were offered by Industriförvaltnings AB Kinnevik (publ)

Global Coordinator
Goldman Sachs International

International Offering
4,000,000 Series B Shares
This portion of the offering was offered outside of the United States by the undersigned.

Goldman Sachs International
Alfred Berg Fondkommission AB

Handelsbanken Markets — Fischer Partners Fondkommission AB
Hagströmer & Qviberg Fondkommission AB — J.P. Morgan Securities Ltd.

United States Offering
4,000,000 Series B Shares
This portion of the offering was offered in the United States by the undersigned.

Goldman, Sachs & Co. — Morgan Stanley & Co. Incorporated
A.G. Edwards & Sons, Inc. — Merrill Lynch & Co. — Smith Barney Inc.
Advest, Inc. — Edward D. Jones & Co., L.P. — Sutro & Co. Incorporated

March 1997

These securities have not been and will not be registered under the United States Securities Act of 1933 as amended, and, subject to certain exceptions may not be offered or sold in the United States.

These securities having been previously sold, this announcement appears as a matter of record only.

Private Placement — March 1997

INDOCHINA GOLDFIELDS LTD.

$90,000,000

5,000,000 Special Warrants

Price: CDN$ 18.00 per Special Warrant

These securities were sold in Canada and the United States

First Marathon Securities Limited
Nesbitt Burns Inc.
CIBC Wood Gundy Securities Inc.

International advisor to the Issuer:
Ivanhoe Capital Pte

SINO LAND COMPANY LIMITED
(a company incorporated in Hong Kong with limited liability)

U.S. $200,000,000 5% Convertible Bonds due 2001 ("Bonds")

NOTICE TO BONDHOLDERS

The Directors of Sino Land Company Limited ("the Company") on 26th March, 1997 declared an interim dividend of HK$0.10 per share for the year ending 30th June, 1997 to shareholders whose names appear on the register of members on 25th April, 1997. This interim dividend is payable on 26th May, 1997.

The register of members of the Company will be closed from 16th April, 1997 to 25th April, 1997 (both dates inclusive). Registered holders of existing Bonds who wish to exercise their conversion rights attaching to their Bonds so as to be entitled to the said interim dividend should lodge the properly completed and signed conversion forms together with the Bond Certificates with their Agent so as to reach the Company before 4:00 p.m. (Hong Kong time) on 25th April, 1997.

By Order of the Board
Eric Ip Sai Kwong
Secretary
Hong Kong

9th April, 1997

USD 20 000 000 000 EURO MEDIUM TERM NOTE PROGRAMME OF SOCIETE GENERALE, SGA SOCIETE GENERALE ACCEPTANCE N.V. AND SOCIETE GENERALE AUSTRALIA LIMITED

SERIES 166/95-1, TR1
SGA SOCIETE GENERALE ACCEPTANCE N.V.
FRF 1 500 000 000
FLOATING RATE NOTES DUE 1998
ISIN CODE : XS0055105893

For the period January 14, 1997 to April 14, 1997
the new rate has been fixed at 4.8164 % P.A.
Next payment date : April 14, 1997
Coupon nr : 9
Amount :
FRF 1 204.10 for the denomination of FRF 100 000
FRF 12 041 for the denomination of FRF 1 000 000

THE PRINCIPAL PAYING AGENT
SOCIETE GENERALE BANK & TRUST S.A.-LUXEMBOURG

Past emperor prepares way in China

James Harding joins Peter Wallenberg, the retiring chairman of Sweden's Investor, in Shanghai

Strapped into a passenger seat on a Saab 2000 commuter aircraft, Mr Peter Wallenberg declares: "I'm an old salesman."

And true to his word, as Mr Wallenberg talks broadly about the succession in his family's empire, about the expansion of Wallenberg businesses into Chine and about his personal philosophy, Sweden's most powerful industrialist plugs his products.

"Have you noticed we are reversing? Because this is a jetprop plane, the only kind of aircraft that can do this. Make a note of that," says Mr Wallenberg, the retiring chairman of Investor, Sweden's largest investment company and owner of Saab Aircraft.

Mr Wallenberg, 70, announced last week that he would be stepping down from Investor, giving over the chairmanship to Mr Percy Barnevik – chairman of ABB, the Swedish-Swiss engineering group which is half-controlled by Wallenberg – and making way for the next generation of Wallenbergs.

However, this week Mr Wallenberg was in Shanghai, promoting Saab's efforts to win Chinese buyers for its 58-seat commuter aircraft and proving that "tha way I feel right now, my head certainly will not retire".

He says that he had taken "a considerable time thinking about the decision" to stand down from the business he took over when his father died in 1982. He concluded it was time to "withdraw from the daily drag of business to open up to the younger people".

Mr Jacob Wallenberg, his son, was last month named chief executive of Skandinaviska Enskilda Banken, Sweden's third-largest bank, and Mr Marcus Wallenberg, the nephew who travelled with his uncle Peter to Shanghai, is executive vice-president of Investor.

The family patriarch says he would like one day to see a Wallenberg back at the helm of the Investor empire: "That is my hope . . . the boys have worked very hard for many years and the way I see it there is a great deal of merit if they show themselves to be up to the mark. But I never made it a promise."

Mr Wallenberg is referred to by Beijing as 'an old friend of the Chinese people'

Without mentioning the pressure from Investor shareholders, he acknowledges that in the past, some family businesses would have catapulted the next generation into the chairman's chair.

"I would sooner do the proper thing than only follow tradition . . . and anyway there will be time for the young people."

Mr Wallenberg is unwilling to discuss developments in Sweden – for example the question of a merger between Nordbanken and SE-Banken – and highlights the next phase of Investor's development into international investments, particularly in China.

"It is the biggest potential market in the world. It is going to be a bonanza!" he says, waving his hands in excitement.

"Today, the investments in China are pretty small, but we hope that will change with time," says Mr Wallenberg, whose family interests includa substantial stakes in Electrolux, the home appliance maker; Astra, the pharmaceuticals group; SKF, the ball-hearinga prodncer; Stora, the forestry group; and Ericsson, the telecommunications business.

Mr Wallenberg says he has "no idea" how to do business in China, but Ericsson, with sales of SKr12.4bn ($1.6bn) in China and Hong Kong, has long accounted for about 90 per cent of Swedish business in China. Other Investor interests are growing, as the last full-year figures show: Astra sales at SKr300m, Electrolux at SKr584m and SKF at SKr300m.

"Yon have to approach every market in its own way and here decision-making is centralised."

But Mr Wallenberg has special access to that central authority.

When he visited Shanghai in 1987, he suffered a severe illness and the then mayor ensured that he was rushed to the city's top hospital for intensive care treatment.

The mayor, Mr Jiang Zemin, has gone on to become China's president and Mr Wallenberg is now referred to by Beijing as "an old friend of the Chinese people".

Privately, managera at Invastor acknowledge that as Mr Wallenberg moves on, Mr Barnevik may not be able to command quite the same close relations with the Chinese leadership. As one puts it: "The Chinese are very fond of the family business concept. For them, a Wallenberg is a Wallenberg."

The retiring chairman, who is taking one of the "boys", Marcus, to China to help facilitate such introductions, has clear views on business friendships.

"Being friends is a matter of understanding your fellow man and what they are trying to do." If there are specific commercial interests that need to be addressed, "I can, in e polite way, draw their attention to a sensitive matter, but you cannot just bully your way in."

But Mr Wallenberg remains ever the salesman. Mr Martin Craig, president of Saab Aircraft International, trying to prise open the commnter aircraft market in China, says his retiring Swedish boss has only one greeting: "How many planes did yon sell today?"

Giordano Malesovik

Peter Wallenberg: withdrawing from 'the daily drag'

Rational to take over Pure Atria

By Christopher Parkes in Los Angeles

Rational Software is to take over rival automated programming product maker, Pure Atria, in an all-share deal which sent both companies' stocks reeling after Monday's announcement.

Heavy selling and a plunge of more than 40 per cent in both share prices was exacerbated by Pure Atria's subsequent warning tbat first-quarter profits, due this month, would be well below Wall Street expectations.

Pure Atria's stock was unchanged at $10 by late morning yesterday, after Monday's 44 per cent tumble, while Ratinnal had risen $¾ to $14½ after its 42 per cent decline on Mnnday.

The value nf the deal, estimated at almost $840m on the basis of last Friday's closing prices, was similarly undermined.

Under the terms of the agreement, Pure Atria shareholders are to receive 0.9 Rational shares for each unit of their company's stock, and the deal is to close in the third quarter.

Analysts said Pure Atria's difficulties with absorbiog acquisitions, which appeared to lie behind many of its problems, could "infect" Rational in turn.

Pure Atria is an amalgam of the Pure and Atria companies which merged last August, and which is absorbing Integrity QA Software. It said it expected first-quarter earnings of between two and four cents a share – excluding charges associated with tbe Integrity merger – against 9 cents a year earlier and analysts' forecasts of 12 cents.

Although some observers questioned tbe wisdom of Rational buying a weaker rival, tbe company said it believed the acquisition was timely.

The combination would maximise the efficiency of Rational's distribution organisation, and speed its entry into the testing sector, company executives said. Pure Atria specialises in software development and testing "tools", while Rational's main strengths is in methodology tools which facilitate the design of complicated software projects.

The combined company's product line would address the needs of customers demanding complete solutions for developing business software applications for Windows, the World-Wide Web and Unix, added Mr Michael Devlin, one of Rational's founders.

Rational's existing senior executives will continue running the enlarged group, while Mr Reed Hastings, a founder and chief executive of Pure Atria, will take over as chief technical officer.

Motorola predicts 'very gradual' semiconductor recovery

By Louise Kehoe in San Francisco

Motorola, the US communications, electronics and semiconductor group, is predicting the worldwide semiconductor industry will grow by about 10 per cent in 1997 compared with 1996, calling the recovery in the industry and its own chip business "very gradual".

The group, which on Monday reported a 5 per cent decline in first-quarter sales from $7bn to $6.6bn, expects continued pricing pressures and does not expect a return to double-digit operating margins for its semiconductor business this year.

The revenue shortfall was largely the result of lower chip sales, although Motorola noted that semiconductor orders picked up from fourth-quarter levels. Net earnings for the quarter were $325m, or 53 cents a share, compared with $384m, or 63 cents. The 1997 quarter included one-off gains from the settlement of patent claims and the sale of an investment. Together, these items accounted for less than 10 per cent of pre-tax profits, the company said. Net margin on sales was 4.9 per cent against 5.5 per cent.

As the first large US high-technology group to report first-quarter results, Motorola's result is closely watched.

The earnings were above Wall Street expectations of about 45 cents a share and fourth-quarter earnings of 39 cents. However, the shares had slipped $2¾ to $59 at mid-session yesterday.

Motorola would continue to "vigorously pursue" efforts to improve financial performance, said Mr Christopher Galvin, chief executive. This would include "cost reductions in businesses that are not achieving adequate profitability, reviewing development programmes that have not lived up to their promise, and concentrating resources on technologies and geographic regions where we can establish or continue leadership".

Cuts under consideration could lead to special charges later this year, Mr Galvin said.

In the cellular telephone market, sales increased 4 per cent to $2.7bn. Semiconductor sales were, however, down 16 per cent at $1.8bn and orders declined 5 per cent. The segment returned to profitability from an operating loss in the fourth quarter of 1996, although profits were lower than a year ago.

Motorola's land mobile products unit, which includes two-way radio communications systems, increased sales by 18 per cent to $977m. Sales of pagers and other messaging products and modems were down 7 per cent at $924m. Space technology sales fell 43 per cent and orders were flat.

D/W

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London
EC4N 7BN

Ente Público de la Red Técnica Española de Televisión

INVITATION TO THE RESTRICTED TENDER FOR THE SALE OF 60% OF THE SHARE CAPITAL OF RETEVISION, S.A.

- Sale of 60% of the share capital of RETEVISION, S.A. the Spanish broadcasting and telecommunications company which holds a nationwide fixed-telephony license.
- The minimum bidding price for 60% of the share capital of RETEVISION, S.A. is Pesetas 45,600 million.
- Bidders in the restricted tender should commit to subscribe and pay, in full, a capital increase which will take their stake in RETEVISION, S.A. to 70%.
- The new shares will be issued at the same price offered for the 60% of the share capital of RETEVISION, S.A.
- **Schedule of the tender:**
  - **Application to prequalify for the tender:** Until 2.00 p.m. on 21 April 1997.
  - **Announcement of prequalified bidders:** 29 April 1997.
  - **Deadline to present offers:** Until 2.00 p.m. on 9 June 1997.
  - **Public opening of economic offers:** 10 June 1997.
  - **Award of the tender:** within 60 days from the presentation of the offers.

The tender documents and other documents relating to the sale process are available at RETEVISION, S.A. offices in Paseo de la Castellana, nº 95, 18th Floor - Madrid 28046. Spain. The tender documents have been published in the Official Spanish Gazette (Boletín Oficial del Estado) Nº 81 of 4-4-97.

For additional information concerning this announcement please contact:

RETEVISION, S.A.	LEHMAN BROTHERS
Fernando Maristany	Claudio Boada
Director	Managing Director
Tel.: +34 1 556 61 40	Tel.: +34 1 431 00 34

This announcement appears as a matter of record only. The Spanish text of this announcement will prevail over that published in any other language.

RETEVISION

Notice of

Annual General Meeting of Skandia

Shareholders of **SKANDIA INSURANCE COMPANY LTD (publ)** are hereby summoned to the Annual General Meeting on Tuesday, May 6, 1997, at 4.30 p.m. (Swedish time). Location: Stockholm Concert Hall, the Great Hall, Hötorget, Stockholm, Sweden.

NOTIFICATION OF ATTENDANCE, ETC.

Shareholders intending to attend the Annual General Meeting, must

- be recorded as shareholders in the Shareholders' Register issued by the Swedish Securities Register Centre (Värdepapperscentralen VPC AB) as at Friday, April 25, 1997.

and must

- notify the Company of their intention to attend the Meeting not later than 4.30 p.m. (Swedish time) on Friday, May 2, 1997.

Notification of intent to attend the Meeting should be made in writing to Skandia, Corporate Law, "AGM", S-103 50 Stockholm, Sweden, by telefax Int +46-8-788 16 80, or by telephone Int +46-8-788 32 62. Please note that if participating by proxy, power of attorney must be sent in original and may not be sent by telefax.

Notification of intent to attend the Meeting may also be made through the Internet. For further instructions see: http://www.skandia.se/agm

Shareholders whose shares are held in trust by a bank or private broker must temporarily register their shares in their own names in the Shareholders' Register to be able to attend the Annual General Meeting. Such registration must be completed not later than Friday, April 25, 1997.

AGENDA AND PROPOSED DECISIONS

1. Opening of the Meeting
2. Election of a Chairman to preside over the Meeting
Board recommendation: Mr. Sven Söderberg, Chairman of the Board.
3. Address by Mr. Lars-Eric Petersson, President and CEO of Skandia
4. Election of a person to check and sign the Minutes together with the Chairman
5. Verification of the voting list
6. Decision as to whether the Meeting has been properly called
7. Presentation of the Annual Accounts and the Consolidated Accounts for 1996
8. Presentation of the Auditors' Report and the Consolidated Auditors' Report for 1996
9. Presentation of the Income Statement and Balance Sheet, and the Consolidated Income Statement and Consolidated Balance Sheet for 1996
10. Decision on appropriation of the Company's profit in accordance with the adopted Balance Sheet, and determination of the record date for payment of a dividend
Board recommendation: Of the amount available for distribution by the Annual General Meeting, MSEK 2,719 (the balance of MSEK 2,174 brought forward from 1995 and the year's profit of MSEK 759, reduced by an allocation to the fund for unrealised gains of MSEK 214), the Board of Directors recommends that a dividend of SEK 2.75 per share be paid, totalling MSEK 281, and that MSEK 2,438 be carried forward. The record date shall be May 12, 1997.
11. Decision as to whether to discharge the Directors and the President from liability for their administration during the 1996 financial year
Recommendation: The Company's auditors recommend that they be so discharged.
12. Decision on Directors' fees
Nominating Committee Recommendation:
   - Chairman SEK 330,000 (unchanged)
   - Vice Chairman SEK 220,000 (unchanged)
   - Directors SEK 125,000 (unchanged)
   - Alternates SEK 12,000 (unchanged) plus SEK 5,000 for each meeting attended (unchanged)
13. Decision on the number of directors to be elected by the shareholders
(According to the Articles of Association, they shall be at least five and not more than twenty.)
Nominating Committee Recommendation: Unchanged at nine.
14. Election of directors
(The term of office, which is two years according to the Articles of Association, expires for four directors. Furthermore, Mr. Björn Wolrath has notified his intention to conclude his term of office as director in connection with the Meeting.)
Nominating Committee Recommendation:
Re-election of
   - Mr. Sven Söderberg
   - Mr. Kurth Augustsson
   - Mr. Bengt Braun
   - Ms. Boel Flodgren

   and election of
   - Mr. Lars-Eric Petersson, President and CEO of Skandia,

   all for the period through the 1999 Annual General Meeting.
15. Decision on the number of alternate directors to be elected by the shareholders
(According to the Articles of Association, there shall be not more than five.)
Nominating Committee Recommendation: A reduction from one to zero.
16. Election of alternate directors
(The term of office for the single alternate director elected by the shareholders terminates in connection with the Meeting.)
Nominating Committee Recommendation: Following the recommendation stated under Item 15, no alternate director shall be elected by the Meeting.
17. Decision on auditors' fees
Nominating Committee Recommendation: Compensation as agreed when procuring the services.
18. Decision on the number of auditors and alternate auditors to be elected by the Meeting
(According to the Articles of Association, there shall be at least two and not more than four auditors with the same number of alternate auditors.)
Nominating Committee Recommendation: Unchanged at two.
19. Election of auditors
Nominating Committee Recommendation: Election of Mr. Björn Fernström, Authorized Public Accountant, Ernst & Young, and Mr. Hans Karlsson, Authorized Public Accountant, KPMG Bohlins.
20. Election of Alternate Auditors
Nominating Committee Recommendation: Re-election of Mr. Olof Cederberg, Authorized Public Accountant, Ernst & Young, and election of Mr. Anders Holm, Authorized Public Accountant, KPMG Bohlins.
21. Election of members of the Nominating Committee for the 1998 Annual General Meeting
(According to the decision by the 1995 Annual General Meeting, the Nominating Committee shall consist of six members: three representatives of the major shareholders, one representative of the smaller shareholders, one representative of the policyholders of Skandia Life Insurance Company Ltd, to be appointed by the Stockholm Chamber of Commerce, and the Chairman of the Board.)
Recommendation: Re-election of Ms. Pirkko Alitalo, Mr. Peter Engdahl and Mr. Tor Marthin as representatives of the major shareholders (nominated by Pohjola-companies, Handelsbanken Fonder and AMF Pension, respectively) and Mr. Kjell Gunnarson as representative of the smaller shareholders (nominated by the Skandia Shareholders' Association).
In addition, Mr. Bengt Oldmark, appointed by the Stockholm Chamber of Commerce as representative of the policyholders of Skandia Life Insurance Company Ltd, as well as Skandia's Chairman, shall be members of the Nominating Committee for the 1998 Annual General Meeting.
22. Proposed changes in the Company's Articles of Association
Board recommendation, endorsed by the Nominating Committee: It is recommended that the Articles of Association be changed as follows, namely:
that the present Articles 9, 10 and 12 be revoked,
that the wording of the present Articles 6, 7, 11, 13–16 och 18 be amended,
that the present Article 2, Sections 1 and 2, be designated Article 2 and Article 3, respectively, the present Articles 3–8 be designated Articles 4–9, the present Article 11 be designated Article 10, and the present Articles 13–20 be designated Articles 11–18.
The changes pertain principally to the following (reference to present designation of Articles):
   a) Article 6 shall be amended so that the directors who shall specifically safeguard the interests of the policyholders shall in future be appointed by the Stockholm Chamber of Commerce and the National Swedish Board for Consumer Policies, who shall each appoint one director. The current rule states that these directors shall be appointed by the Swedish Government. Furthermore, the change signifies that the number of directors shall be 6–9 instead of the present 5–20 and that there shall be no alternate directors (with the exception of such alternate directors as may, according to Swedish law, be appointed by the employees). Furthermore, the change indicates that a director elected at the Annual General Meeting is not required to be a shareholder in Skandia. It is proposed that the change pertaining to election of directors who shall specifically safeguard the interests of the policyholders shall come into force as of the Annual General Meeting 1998.
   b) Article 7 shall be amended so that, in the event of the absence of both the chairman and the vice chairman, the director who was elected by the general meeting of shareholders and who has held office for the greatest number of years, shall act as chairman. The current rule states that the oldest of the directors present shall act as chairman.
   c) Article 9 shall be revoked. This means that the fragmentary ruling in the Articles of Association governing management of investments shall be deleted. Considerably more precise rulings governing these matters are now defined in the Swedish Insurance Business Act (1982:713).
   d) Article 10 shall be revoked. This means that the separate ruling in the Articles of Association governing the decision process for acquisition or sale of real estate shall be deleted. Detailed rules concerning those persons who shall have authority to pass decisions on acquisition or sale of real estate, are now defined in detail in a Corporate Investment Policy approved by the Board.
   e) Article 11 shall be amended to specify that at least two authorized signatories of the Company must act jointly in order to sign for the Company. This implies a codification of a standard which has been in force for a long time at Skandia.
   f) Article 12 shall be revoked. This means that the ruling governing the safekeeping of valuable documents in a fireproof vault under two locks with different keys and requirements concerning authorisation of two supervisors by the Board, shall be deleted. This ruling has become obsolete by reason of the fact that valuable documents have principally been replaced by registration in various systems (e.g. registration by the Swedish Securities Register Centre, VPC).
   g) Article 13 shall be amended and shall reflect the requirement that all auditors shall in future hold the status of authorized public accountants. This implies a codification of a standard which has applied since the Annual General Meeting of shareholders 1996. Furthermore, the change denotes that the number of auditors has been fixed at two (presently two to four). Additionally, a change of an editorial nature is proposed.
   h) Article 14: editorial amendment to reflect changes in Swedish tax legislation.
   i) Article 15: editorial amendment to reflect changes in the Swedish Insurance Business Act.
   j) Article 16 specifies the items of business to be dealt with at an Annual General Meeting of shareholders. Editorial amendments to allow for adjustment to the standard practice in force at Skandia's Annual General Meetings.
   k) Article 18 shall be amended to the effect that a ballot at a general meeting of shareholders shall require a demand for such ballot by at least twenty-five shareholders present at the meeting.

   The complete wording of the recommended changes to the Articles of Association will be sent to all shareholders who are directly registered as such with the Swedish Securities Register Centre. They can also be obtained from: Skandia, Corporate Law, S-103 50 Stockholm, Sweden, telephone Int +46-08-788 32 62, telefax Int +46-08-788 16 80.
23. Questions from shareholders
24. Adjournment of the Annual General Meeting

DIVIDEND

The Board of Directors recommends that a dividend of SEK 2.75 per share be paid to the shareholders, and that the record date for payment of the dividend shall be May 12, 1997. If this recommendation is adopted, dividends are expected to be distributed from the Swedish Securities Register Centre on May 20, 1997.

INTERPRETATION OF THE PROCEEDINGS TO ENGLISH

For the convenience of non-Swedish speaking shareholders, there will be simultaneous interpretation of the proceedings of the Annual General Meeting to English.

SWEDISH-SPEAKING SHAREHOLDERS

This summons to attend the Annual General Meeting of Skandia Insurance Company Ltd (publ), to be held on Tuesday, May 6, 1997 at 4.30 p.m. at the Stockholm Concert Hall, the Great Hall, Hötorget, Stockholm, can also be obtained in Swedish. Please contact Skandia, Corporate Law, "AGM", S-103 50 Stockholm, Sweden, telephone Int +46-8-788 32 62, telefax Int +46-8-788 16 80.

A welcome is extended to the shareholders to attend the Annual General Meeting.

Stockholm, March 1997

The Board of Directors

Skandia

NCB unveils Y291bn capital-raising plan

By Gillian Tett in Tokyo

Nippon Credit Bank, the troubled Japanese long-term credit bank, yesterday said it would seek to strengthen its financial position by raising Y290.7bn ($2.3bn) of new equity capital in the coming weeks.

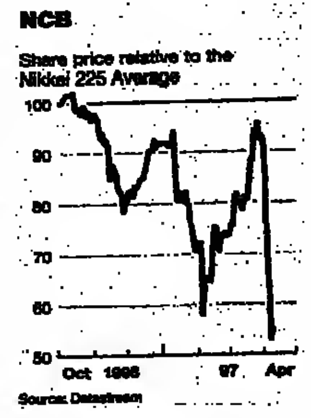
The announcement, which follows the unveiling of the bank's restructuring plan last week, comes as NCB attempts to calm market fears about the bank's future – in particular, its bad-debt problem.

NCB said a group of commercial banks would purchase Y70bn of new ordinary shares, while it would ask creditor life and non-life insurance companies to purchase Y97bn of ordinary shares – equivalent to about half their outstanding perpetual subordinated loans to NCB.

It said a special fund set up by the government to deal with bad loans at failed housing loan groups, or *jusen*, would buy Y80bn of the preferred stock issue and that life and non-life insurers would buy Y43.7bn, which represents one-quarter of their outstanding subordinated loans to NCB.

If it works, the capital injection should be enough to ensure that the bank meets Japan's capital adequacy ratio.

However, NCB declined to indicate which banks had agreed to purchase the shares or to reveal the price of the share offering.



Consequently, some analysts suspect that the new offerings will in effect require that other Japanese financial institutions subsidise the bank, in line with the long-standing Japanese "convoy" tradition.

Mr Paul Heaton, of Deutsche Morgan Grenfell in Tokyo, said: "I suspect that existing shareholders will lose out substantially."

NCB is due to issue its results at the end of May and at the shareholders' meeting planned for June. As a result, the coming weeks are likely to show whether the bank can win enough credibility in the markets to push its plans through.

As NCB is one of Japan's largest 20 banks, they will also indicate what policy the ministry of finance will adopt towards Japan's troubled banking sector.

NCB has also said it would welcome foreign tie-ups. The bank insists that its restructuring plans, which will close overseas branches and which have forced the bankruptcy of three non-bank affiliates, will enable it to carve out a niche on the domestic market.

However, analysts question whether this would be feasible, particularly since the ministry of finance announced earlier this week that city banks would soon be able to enter the debenture business, which has traditionally been the main focus for long-term credit banks such as NCB.

Meanwhile, Mitsubishi Trust, the largest of Japan's trust banks, yesterday said the bankruptcy of NCB's affiliates and losses on its own equity portfolio reduce its profits for the 1996 fiscal year when they are announced next month.

The bank now expects to unveil an unconsolidated pre-tax profit of Y75bn, compared with the Y130bn forecast in January.

The move follows a flood of reductions in profit forecasts by Japan's 20 largest banks in recent days, primarily because stock market weakness has eroded unrealised equity gains while bad loans have mounted.

Maybank buys 60% holding in PNB subsidiary

By Justin Marozzi in Manila

Philippine National Bank, the country's second-largest, has sold 60 per cent of its PNB Republic Bank subsidiary to Maybank, of Malaysia.

The sale for 880m pesos ($33m) comes five years after PNB bought the bank, which has now been in the red for three consecutive years.

PNB Republic had liabilities of 3bn pesos to the Central Bank, which PNB will continue to absorb.

PNB has been servicing the debt with annual payments of 25m-30m pesos.

With the sale of the subsidiary, PNB will establish an escrow account with the Central Bank of between 150m pesos and a maximum of 50 per cent of profit generated by the sale.

The sale of the majority stake in PNB Republic continues PNB's restructuring programme and the disposal of non-performing assets as the bank enters its second year as a privatised entity.

In January PNB reported a disappointing 17 per cent fall in profits to 1.71bn pesos.

Analysts are looking for a 20 per cent increase in first-quarter earnings to about 400m pesos when the bank reports later this month.

For Maybank, Malaysia's biggest banking group with total assets of around M$94.2bn (US$38bn), the move ties in with its attempt to grow in the region and establish a significant presence in the expanding Philippine retail banking market.

"This extension is part of Maybank's objectives to meet the needs of our customers, particularly Malaysian customers who are increasingly establishing trade ties and investing abroad," said Mr Mohammed Basir Ahmad, Maybank chairman.

With a network of 60 branches – 24 of which are in Metro Manila – PNB Republic provides a convenient entry into the local market.

Ten foreign banks were granted licences in 1994 with the liberalisation of the domestic banking industry, and it is considered unlikely another wave will be allowed in within 18 months. Foreign banks are also restricted to six branches.

"Clearly the attraction for Maybank is the ready-made branch network and the additional benefit of an indirect route to a commercial banking licence which is not directly available now," said Mr Chris Hunt, head of research at W. I. Carr in Manila.

ASIA-PACIFIC NEWS DIGEST

Daiwa Securities in Vietnam deal

Vietnam's largest commercial bank, Vietcombank, has signed a memorandum of understanding with Daiwa Securities, of Japan, to set up the country's first joint venture securities business.

Vietnam does not yet have a stock market but officials have said the country hopes to launch one in about three years. Hanoi has said it will allow foreign joint ventures in stock broking but has yet to decide what size of equity stakes foreigners will have.

Vietcombank said yesterday that Daiwa had been talking to the bank since 1992 about establishing a foothold in a Vietnamese securities business. Daiwa Securities yesterday opened a representative office in the Vietnamese capital. Last year, the group advised on a $30m loan syndication to another Vietnamese bank.

Mr Koji Yoneyama, senior managing director of the company's international division, said the focus of Daiwa's business would be on helping Vietnam prepare companies for listing on an eventual bourse, including the privatisation of state-owned companies.

The opening of a stock market in Vietnam has been stalled owing to a lack of international-standard accounting procedures and the fact that few state-owned companies are healthy enough to warrant listing. Also, the communist-run country's private sector is tiny.

However, last year Hanoi set up a securities commission to oversee the setting up of an exchange, planned for the southern commercial hub of Ho Chi Minh City. The commission would later be involved in regulating the exchange. *Jeremy Grant, Hanoi*

Sharp invests Y15bn in LCDs

Sharp, the Japanese electronics maker, is investing Y15bn ($120m) in a new facility in western Japan to manufacture large thin-film transistor (TFT) liquid crystal display panels.

The investment by the world's largest producer of LCD panels will increase Sharp's manufacturing capacity by 150,000 panels a month when they come on stream in the spring of next year, lifting Sharp's total manufacturing capacity of TFT LCD screens to 350,000 by the end of next year.

The rapid pace of investment in TFT LCD screens is based on expectations that demand will rise significantly, as they are used increasingly for PC monitors.

Sharp expects demand for large-format TFT LCD screens of 12.1-inches and above to be particularly buoyant. It believes the market for these products will grow 4.5 times the 1996 level to 12.5m units, while overall sales of LCD panels are expected to more than double to Y1,500bn.

Screens using LCD are thinner than those using cathode ray tubes. Strong demand for the large LCD panels has come particularly from PC makers, which have seen growing sales of desktop PCs with LCD screens rather than cathode ray tubes. *Michiyo Nakamoto, Tokyo*

Highlands Pacific plans issue

Highlands Pacific, the Australian mining group, is in negotiations to secure underwriting for a planned A$190m (US$158m) equity issue. The newly-formed company is attempting to raise the money to buy out some assets of the former Highlands Gold mining group, which was taken over by Canada's Placer Dome.

The Canadian miner was interested primarily in Highlands's 25 per cent equity stake in Papua New Guinea's big Porgera gold mine. It agreed to sell on the other assets to the new company, mainly a 60 per cent interest in the Ramu nickel project and the 85 per cent-owned Frieda River copper-gold project, both of which are also in PNG. Highlands Pacific would pay Placer A$107m and take on A$33m of debt, with the remaining funds raised forming working capital.

PNG institutions had said they would take about 60 per cent of the issue. *Nikki Tait, Sydney*

New chairman at HK bank

The Bank of East Asia, the Hong Kong banking group, yesterday announced that Mr David Li will take over as chairman from today, following the retirement of Mr Li Fook-wo.

Mr David Li, currently deputy chairman, has been in charge of day-to-day running of the bank since his appointment as chief executive in 1981.

Mr Li said he did not believe his appointment would lead to any shift in strategy, which has emphasised expansion in Hong Kong and on the mainland.

Like the rest of the sector, the Bank of East Asia has enjoyed strong profit growth over the past few years on the back of rising demand for loans and economic recovery. *John Ridding, Hong Kong*

COMPANIES AND FINANCE: UK

Industry leader achieves 10% advance to £750m despite competition and price deflation

Tesco addresses fears of price war

By Peggy Hollinger

Tesco, the UK's largast supermarket group, yesterday sought to dampen anxiety over a renewed price war in the food sector by indicating that it expected to hold margins steady over the next year.

Mr David Reid, Tesco's finance director, said competition and prica deflation remained so intense that food retailers would be reluctant to increase pressure further with a price war.

His comments came as Tesco reported a 10 per cent jump in annual pre-tax profits to £750m ($1.19bo).

"To start reducing margins in that environment would take a pretty brave move," he said. "Food retailers need to maintain margins this year, and I suspect they will. We are all looking at the same profit and loss accounts."

His comments helped reassure the market that Tesco would not start a price war in reaction to renewed competition from Kwik Save. The diacount chain is launching a cheaper own label range later this month.

However, analysts remained sceptical that Tesco, which is the industry leader with about 14 per cent of the £34bn market, would not use its strength to fight back. "Tesco will do whatever the prevailing wind requires them to do," said one.

Food retailers have been one of the worst performing sectors since the beginning of the year, lagging the market by almost 9 per cent.

The ahares have been hit by a profit warning from J Sainsbury and Safeway's announcement in February of a severe slowdown in price inflation.

While Tesco yesterdsy reiterated that price inflation in the food sector had slowed from 3.5 per cent to about 1 per cent, it was confident this would improve from the second half of this year. Petrol prices had stabilised after a price war last year which had cut 0.3 percentage points off the operating margin at a cost of about £35m.

Current like-for-like sales were about 6 per cent ahead, against an industry average of about 2.5 per cent. Mr Reid aaid Tesco had budgeted for full-year growth of about 4-5 per cent.

The company reported a 15 per cent increase in overall sales to £14.98bn for the year to February 22.

Mr Reid was confident the recent £640m acquisition from Associated British Foods of the three Irish supermarket chains Quinnsworth, Crazy Prices and Stewarts would provide returns of between 13 and 15 per cent over the next three to four years.

However, he emphasised that there remained substantial growth in the UK, with a further 26 stores to be opened this year, compared with 32 last time. Tesco planned to cut costs by about £100m in the supply chain over the next four years, by working more closely with manufacturers.

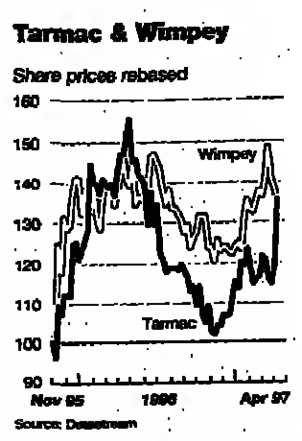
Earnings rose 7.3 per cent to 23.5p.

Lex, Page 16

LEX COMMENT

Tarmac

Amid all the housing market euphoria, Tarmac looked to have drawn the short straw last year by swapping its housing assets for Wimpey's construction business. But yesterday's better than expected Tarmac results suggest such a conclusion may be premature. Pre-tax profits were depressed by a £65m restructuring charge, but with the cycle clearly running in Tarmac's favour the 12 per cent rise in profits from continuing businesses is the more indicative trend.



The key issue will be the performance of the UK building materials market. Solid volume growth looks set to continue, and should help Tarmac push through price increases. Last year prices rose even while volumes fell – evidence of the improved price environment following sector rationalisation. Treods in the first quarter suggest Tarmac has a good chance this year of getting the 5-8 per cent price increase it wants to stick. With a 1 per cent increase adding around £4m to pre-tax profits, the benefits could be enormous.

Given the travails of recent years, this is welcome news. But it is also the least that can be expected. Tarmac's return on capital of 9 per cent is still well below its weighted average cost of capital of 13.5 per cent. If this gap is to be closed, more restructuring will be necessary. The North American aggregates business deserves particular attention – £480m of net assets generating less than £30m in profit, close to the top of the cycle, is hardly the stuff of champions.

Tarmac builds on confident outlook

By Andrew Taylor, Construction Correspondent

Shares in Tarmac, one of Britain's biggest building materials and construction groups, jumped yesterday on the back of a confident trading statement and better-than-expected 1996 profits.

The economic tide appears to be running in Tarmac's favour some 17 months after announcing the biggest upheaval in its history, involving swapping its housebuilding operations for the quarrying and construction interests of rival George Wimpey.

The deal, announced in November 1995, took until the following March to complete. Ever since, the market has been pondering which of the two companies got the best of the deal.

On the 1996 results, the verdict ought to rest with Wimpey, which six weeks ago announced pre-tax profits doubled to £31.5m. Tarmac, by comparison, increased pre-tax profits at continuing businesses by 12 per cent to £75.5m ($120m). After exceptional charges of £65m (£46.8m) to cover restructuring, pre-tax profits halved to £10.5m (£20.3m).

This year the group should gain from rising UK construction markets and enjoy a full 12 months' saving of £40m, achieved after cutting more than 1,500 jobs.

Brendan Corr

Many roads to travel: Neville Simms said millennium projects were now beginning to flow

Tarmac's shares, which had already outperformed the building materials sector by 4 per cent since the swap was announced, rose a further 11p yesterday to 115p.

Wimpey, meanwhile, has underperformed the construction sector by 20 per cent, as it has struggled to take full advantage of the housing market recovery.

Market conditions have been more difficult for Tarmac, which turned in a resilient performance – particularly as it has traditioonally generated up to half its building materials sales from road building and maintenance. This proportion has dropped to 35 per cent as public spending on roads has been cut.

UK building materials profits rose last year by almost 11 per cent to £83.4m, with price increases of 2-5 per cent for crushed rock, sand and gravel, coated stona and ready-mix concrete offsetting falls in sales volumes of 5-15 per cent.

Restructuring of the aggregates industry has reduced competitive pressures in the sector, enabling companies to raise prices even in a bad year.

Mr Neville Simms, Tarmac's chief executive, said millennium projects and work from the government's private finance initiative were beginning to flow through. "There may be a hiatus in placing contracts during the election, but I would not expect the recent improvement to be upset by whichever party forms the next government."

Aggregates companies have announced price rises this spring of 5-8 per cent. Volume sales of concrete blocks, heavily used in househnilding, have increased by 20-25 per cent compared with a depressed first quarter in 1995.

Margins on construction contracting also improved last year from 0.9 to 1.4 per cent. Construction profits rose to £15.9m (£12.2m), despite a £4.7m loss (£4m profit) in the professional services division.

The North American building materials business increased profits 27 per cent to £28.3m.

Citizens in $57m BNH buy

Citizens Financial, the US retail banking subsidiary of Royal Bank of Scotland and Bank of Ireland, is to pay $57m cash to acquire BNH Bancshares, a commercial bank in Connecticut, writes David Blackwell.

BNH is the parent of the Bank of New Haven, which has about $350m of assets and operates from 11 branches. The price heing paid by Citizens represents about 2.2 times the bank's book value.

The deal marks the 11th acquisition hy Citizens in the last five years. It takes the group's interest in Connecticut to 41 branches and almost $2bn of assets, and improves the commercial business mix.

Royal Bank owns 76.5 per cent of Citizens while Bank of Ireland has 23.5 per cent.

Citizens is already the leading bank in both Rhode Island and New Hampshire. But the group has been seeking infill acquisitions in Massachusetts and Connecticut.

It now has 251 branches throughont New England and assets of £16bn, and is planning to expand its assets to $20bn by the turn of the century.Last November it paid $87m cash for Grove Bank of Boston.

Expanding Oasis advances 42%

By Christopher Price

Oasis Stores, the women's wear group, increased the size of its chain by almost a third last year with pre-tax profits rising 42 per cent to £15.6m ($24.8m).

The rise in outlets from 82 to 108 was matched by a similar increase in turnover, to £81.6m.

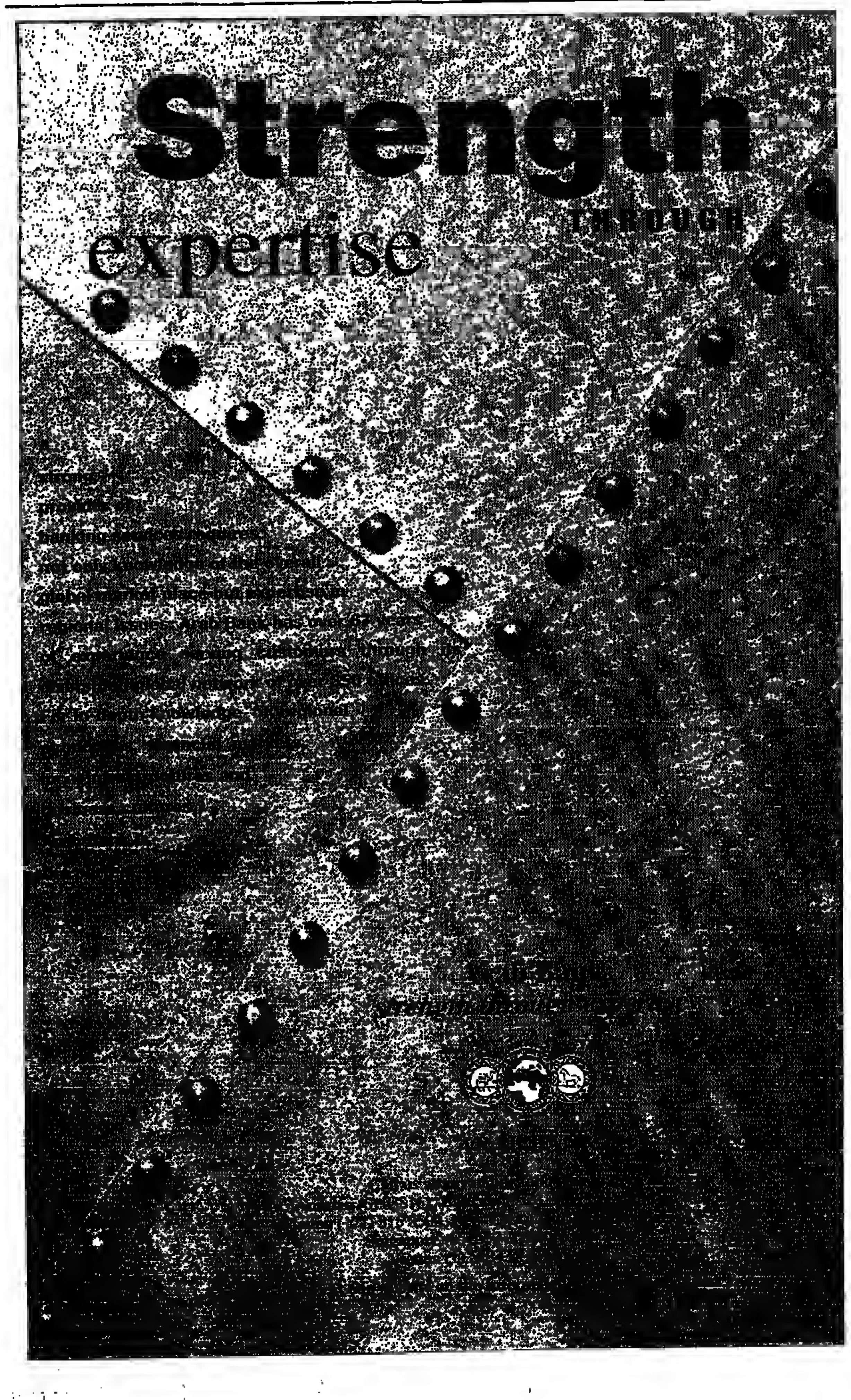
Like-for-like sales for the year to January 25 rose 12 per cent. During the first two months of the current year sales advanced 22 per cent, with like-for-like sales up 7 per ceot.

Five new stores were opened in the UK during March. However, Mr Michael Bennett, chairman, said the retail market had become "a little overheated" and he would not forecast how many other stores the company would open this year.

Sales from Oasis's five Irish stores rose by a quarter to £5m. The 27 other overseas outlets, in Germany, Abu Dhabi, Saudi Arabia, Taiwan and Hong Kong, contributed £3.78m in sales. A store in Iceland has opened recently.

Capital expenditure was unchanged at £5.9m, with a similar amount earmarked for this year.

Net cash rose from £7.7m to £13.1m.



NEW ISSUE This announcement appears as a matter of record only MARCH 1997

£150,000,000

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(Incorporated in England with limited liability under the Companies Acts 1862 to 1883 registered number 22096)

7¼ per cent. Notes due 2002

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J.P. Morgan Securities Ltd.
NatWest Markets

Anglo American Platinum Corporation Limited (Amplats)

Rustenburg Platinum Holdings Limited (Rustenburg)

Potgietersrust Platinums Limited

(PP Rust)

(All companies incorporated in the Republic of South Africa)

RESULTS OF CAPITALISATION SHARES AWARDS AND RIGHTS OF ELECTION TO RECEIVE INSTEAD INTERIM CASH DIVIDENDS

The rights of election to receive interim cash dividends instead of the awards of capitalisatioo shares were made to shareholders registered at the close of business oo Friday, 28 February 1997. Details relating to each company are set out below. The oew shares will be listed on the Johanoesburg Stock Exchange from the commencement of business on Wednesday, 9 April 1997 and, where applicable, on the Loodon Stock Exchange as soon as practicable. Share certificates for capitalisatioo shares and cheques in respect of the interim dividends and fractiooal payments will be posted to shareholders on Wednesday, 9 April 1997.

Anglo American Platinum Reg. No. 59 02518 06

Capitalisation shares were awarded on the basis of 1.409632 shares for every 100 existing shares held. Elections were received for an interim cash dividend in respect of 47,359,008 shares. Accordingly, the interim cash dividend of 40 cents per share has beeo declared on those shares and 1,844,355 oew shares have been allotted in terms of the capitalisation share award. Following the issue of the capitalisation shares the issued share capital of Amplats will consist of 180,042,837 ordinary shares of 5 cents each.

Rustenburg Platinum Reg. No. 05 22152 06

Capitalisation shares were awarded on the basis of 0.739628 shares for every 100 existing shares held. Elections were received for an interim cash dividend in respect of 16,376,482 shares. Accordingly, the interim cash dividend of 50 cents per share has been declared oo those shares and 851,071 new shares have been allotted in terms of the capitalisation share award. Following the issue of the capitalisation shares the issued share capital of Rustenburg will consist of 132,294,974 ordinary shares of 10 cents each.

Potgietersrust Platinums Reg. No. 01 08353 06

Capitalisation shares were awarded oo the basis of 1.091034 shares for every 100 existing shares held. Elections were received for an interim cash dividend in respect of 20,728,684 shares. Accordingly, the interim cash dividend of 28 cents per share has been declared on those shares and 1,176,755 oew shares have been allotted in terms of the capitalisation share award. Following the issue of the capitalisation shares the issued share capital of PP Rust will consist of 129,763,372 ordinary shares of 2.5 cents each

Johannesburg

9 April 1997

FIVE ARROWS GLOBAL FUND
20, Boulevard Emmanuel Servais, L-2535 Luxembourg
R.C. Luxembourg B 40 619

NOTICE TO THE SHAREHOLDERS

Notice is hereby given that the **Annual General Meeting** of the shareholders of **FIVE ARROWS GLOBAL FUND** will be held at the Registered Office of the Company on **30 April 1997 at 10.00 am.**

AGENDA

1. Approval of the Report of the Board of Directors and the Auditor's Report.
2. Approval of the financial statements for the fiscal year ending on 31 December 1996.
3. Allocation of the oet result.
4. Ratification of the co-optation as Director of Mr. Christopher RIGG in replacement of Mr. Raymond HOOD, and the appointment of Mr. William RAMSAY as Director.
5. Discharge of the outgoing Directors and the Auditor from their duties for the year ending on 31 December 1996.
6. Appointment of the Directors and the Auditor of the Company:
   - Re-election of the outgoing Directors.
   - Appointment as Directors of Mr. Christopher RIGG and Mr. William RAMSAY.
   - Re-election of the Auditor.
7. Any other business.

Resolutions on the above-mentioned Agenda will require no quorum and the resolutions will be passed by a simple majority of the shares present or represented at the meeting.

A shareholder may act at any meeting by proxy.

On behalf of the Company,
BANQUE DE GESTION EDMOND DE ROTHSCHILD
LUXEMBOURG
-Société Anonyme-
20, boulevard Emmanuel Servais
L-2535 LUXEMBOURG

SGA SOCIETE GENERALE ACCEPTANCE N.V.
FRF 300 000 000
REVERSE FLOATING RATE NOTES DUE APRIL 2003
ISIN CODE : XS0041992784

For the period April 07, 1997 to July 07, 1997 the new rate has been fixed at 11.13282 % P.A.
Next payment date : July 07, 1997
Coupon nr : 14
Amount :
FRF 281.41 for the denomination of FRF 10 000
FRF 2 814.13 for the denomination of FRF 100 000
FRF 28 141.30 for the denomination of FRF 1 000 000

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For further information pleasa contact:
Toby Finden-Crofts
+44 0171 873 4027

EAST RIDING
OF YORKSHIRE COUNCIL

Humberside Magistrates' Courts: Financial Adviser

To be published under the Restricted procedure section for Services

1. **Awarding Authority:** East Riding of Yorkshire Council, County Hall, Beverley, East Riding of Yorkshire HU17 9BA, Tel: 01482 884873, Fax: 01482 884003. Contact: Nigel Pearson, Director of Law and Administration.
2. **Category of service and description, CPC reference number**
   CPV: [74141000, 751112000]
   Financial and Fiscal Services: CPC 91112
   The Awarding Authority wishes to appoint financial advisers to provide financial services to the Awarding Authority in connection with the procurement and operatioo of serviced courthouse accommodation suitable for use by the Magistrates' Court Committee under the UK Government's Private Finance Initiative. The Project is likely to include the provision of serviced accommodation and facilities management involving new and/or refurbished courthouses. The financial advisers must provide financial services at all states and on all financial aspects of the Project from inception to the letting of the contract.
3. **Delivery to:** As in 1.
4. **a) Reserved for a particular profession:** Reserved for suitably experienced professional staff able to demonstrate relevant experience and expertise.
   b) Law, regulations or administrative provision: English Law.
5. **Division into lots:** No.
6. **Number of Service Providers which will be invited to tender:** Not predetermined.
7. **Variants:** Not permitted.
8. **Duration of contract:** Expected to be up to three years.
9. **Legal form in case of group bidders:** Joint and several liability.
10. a) N/A
    b) Final date for receipt of requests to participate: Applications in the form of a completed questionnaire must be returned by 19 May 1997.
    c) Address: See 1. Ask for Jayne Dale.
    d) Language: English.
11. **Final Date for Despatch of Invitations to tender:** Expected to be 9 June 1997.
12. **Deposits and guarantees:** Professional indemnity insurance of £5m for any one incident or series of incidents extending over 10 years beyond the end of the contract.
13. **Qualifications:** Tenders seeking inclusioo oo the select list will be required to complete a questionnaire designed to furnish the Awarding Authority with information and details necessary for an appraisal of the economic and financial standing, ability and technical capacity required of the financial adviser. Such information will include:
    - bank references
    - three years audited accounts
    - details of similar PFI work undertaken
14. **Award criteria:** Economically most advantageous bid taking into account in descending order of importance quality, technical merit, price and service delivery.
15. **Other information:** The Awarding Authority reserves the right not to proceed with the Project at any stage of the tender process. Separate advisers could be appointed for lead/project management, legal and technical services. The Project is subject to the UK Government's Private Finance Initiative and the financial adviser must ensure compliance with all legislative and other requirements.

COMPANIES AND FINANCE: UK and Ireland

Coal producer confident it can renew agreements with electricity generators

RJB Mining at top of forecasts

By Jane Martinson

RJB Mining, the UK's largest coal producer, said yesterday it was confident of replacing the bulk of its contracts with the UK generating companies next year, as it announced annual pre-tax profits at the top end of expectations.

The company sells about 85 per cent of its output to electricity generators under long-term contracts which expire next year. Mr Richard Budge, chief executive, said: "How in heaven's nama can anybody import that amount of coal next year? The ports don't exist to take it."

Since tha start of tha "dash for gas" in 1990, coal's share of the power generation market has fallen from 80 per cent to just under 50 per cent.

RJB has indicated that it expects to sell about 29m tonnes of coal a year to the generators from next March – down from about 33m last year – at prices 11 per cent lower at about 125p.

The shares rose 12p to 402½p, after a strong rise on Monday, when National Power, RJB's largest customer, agreed to join a feasibility study into clean coal technology.

Tha deal underlined Mr Budge's confidence about the contracts, in spite of the two sides stressing that there was no direct link. "You don't normally go to bed with somebody you're not on good terms with, do you?" he said yesterday.

In spite of the upbeat tone of yesterday's results, SBC Warburg, the securities house, reduced its 1998 profits forecasts from £144.5m to a lowar-than-consansus £122m after taking a less optimistic view of the contract terms.

Mr Gordon McPhie, RJB financa director, said that the group could invest about £200m in clean coal technology.

Margin improvements and lower interest payment helped the group report a 9 per cent increase in pre-tax profits to £189m ($309.5m).

Turnover fell 10.5 per cent to £1.46bn (£1.31bn) last year as coal sales fell 10 per cent to 37.6m tonnes.

The group said its share of the coal market had risen by almost 1 percentage point to 55 per cent, which had partly offset the impact of coal losing ground in an expanding power market.

Takeover costs hit Highland

By David Blackwell

Macallan-Glenlivet contributed £5m to first-half profits at Highland Distilleries, producer of Famous Grouse whisky.

Operating profits in the six months to February 28 rose 41 per cent to £19.4m ($30.8m) on sales of £110.1m (£101.8m). But the contribution from Macallan was almost entirely offset by the cost of financing last summer's £180m acquisition. It paid £2m interest in the period, compared with receiving £2.2m. Pre-tax profits were 12 per cent ahead at £24.9m. Robertson & Baxter, an associate, lifted its contribution to £7.1m (£5.8m).

Mr Brian Ivory, chief executive, said Macallan sales in the UK were not as strong as previously because of "midwinter madness" in pricing and promotional activities on single malts ahead of Christmas. The price of Macallan had been showing a premium of £3 a bottle, instead of being 50p to £1 above the market.

The US continued to be "a tremendous story", with 20 per cent growth in 12, 18, and 25-year-old whiskies. He believed the US whisky market had recovered the prestige and image lost in the discount wars of several years ago.

Volumas of Famous Grouse fell 3 per cent in the UK, against an overall market decline of 5 per cent. Exports of Famous Grouse were 5 per cent ahead. However, Mr Ivory said tha struggle of EC countries to struggle through the Maastricht hoops had had a deflationary effect on consumer spending.

Fergus Wilde

Divining spirit: Brian Ivory saw growth in the US markets

Cellnet fires shot in mobile offensive

By Alan Cane and Peggy Hollinger

Cellnet, the UK cellular telephone group, yesterday fired the first shot in a marketing offensive aimed at regaining soma of the ground lost over the past two years to rivals including Vodafone, Britain's largest mobile operator.

The company is paying an initial £25m ($41m) for a 40 per cent stake in The Link, the Dixons Group's consumer electronics chain which specialises in fixed and mobile phones, pagers and personal organisers. Further payments, to a maximum of £32m, may be made over five years, subject to performance.

Cellnet's move underlines the importance of a significant presence in the UK's increasingly competitiva domestic cellular market. Vodafone, with some 2.87m customers at the end of March, has built up a great diversity of retail outlets.

Cellnet, with 2.7m customers, hopes its investment in the expansion of The Link chain will help redress the balance. The Link, established in October 1994, currently comprises some 86 stores. It made a loss of £2.9m on turnover of £21m in the year to April 27, 1996, but is expected to make a profit this year.

The Cellnet investment will underpin plans to expand the number of stores to over 200 throughout the UK, creating some 750 new jobs. Dixons, the UK's largest electronics retailer, said the deal was "fabulous". Mr Ian Livingston, Dixons finance and systems director, said of Cellnet's investment: "That is a lot of money for 40 per cent of a company which was only started two years ago." It will continue to manage the chain.

The move comes at a critical time. After several years of spectacular growth, the rate of increase in new connections is in decline. New connections for the quarter ended March 31 this year were the lowest since 1993; Cellnet reported only 12,000 connections net compared with 81,000 in the same period last year. Vodafone, by comparison, recorded a net 67,000 while Orange, the youngest of the UK's quartet of operators, recorded a net 109,000.

Jefferson Smurfit tumbles

By Jane Martinson

Jafferson Smurfit, the international paper and packaging group, yesterday warned that low prices would make this year "very difficult", as it reported a 52 per cent fall in annual pre-tax profits to I£210m ($331m).

The Dublin-based group blamed overcapacity in the market for a "precipitous" price decline across its markets. Prices for most paper grades fell 30-40 per cent last year.

However, Mr Michael Smurfit, chairman and chief executive, said that prices had bottomed out, and forecast an upturn in the latter half of this year. The chief reason for confidence was evidence that little new capacity was planned for the next two years.

The group renewed its plea to other companies, particularly in the US, not to expand capacity. It blamed US containerboard manufacturers for adding 5.9m tonnes of capacity to the market in the past three years, twice the increase required by demand.

Mr Dermot Smurfit, joint deputy chairman, said: "We continue to believe that buying, rather than building, is the way this industry should go. We just wish people would listen to us."

Jefferson has a war chest for acquisitions of up to $1bn, but the group said it was "not a hostile buyer".

Non-cyclical businesses and the strong growth of the Irish economy mitigated the downturn in Ireland and the UK where sales fell 10 per cent to I£564m and profits 20 per cent to I£33.9m.

In the rest of Europe sales fell 20 per cent to I£1.49bn, while profits dropped 42 per cent to I£113m. The worst performance was in the US, where sales fell 7.5 per cent to I£85m and profits 57 per cent to I£62m. In Latin America profits almost halved to I£46.8m on sales down 15 per cent.

Lex, Page 16

RESULTS

	Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Brasda Hatch .... Yr to Dec 31 ★	14.3	(10.5)	2.11	(2.01)	10.5	(-)	0.5	July 8	-	0.5	-
Cassell .... Yr to Dec 31	24.4	(23.2)	0.712♣	(0.736♥)	8.8	(9.9)	3	June 2	3	4.5	4.5
City Centre Rest's .... Yr to Dec 31	132.8	(111.4)	18.8	(15.5)	8.58	(5.81)	2.05	June 2	1.79	2.5	2.24
Clarkson (Horace) .... Yr to Dec 31	32.4	(42)	3.9	(4.5)	10.8	(26.8L)	2.5	July 2	1.75	4	3
Cooper (Frederick) .... 6 mths to Jan 31	45.5	(47.7)	0.776♣	(1.74♣)	2.2L	(0.8)	0.85	July 1	0.85	-	2.8
Development Secs .... Yr to Dec 31	21	(21.5)	4.61	(2.24)	14.5	(7.1)	1.6	July 3	1.5	2.7	2.4
Dewhirst .... 53 wks to Jan 17	316.9	(278.9)	26.4	(22.5)	13.61	(11.61)	3.2	July 1	2.8	4.35	3.8
GBE Intl .... Yr to Dec 31	60.2	(57.1)	3.49♣	(1.71)	4.2	(2.7)	1	-	0.5	1.6	1.5
Golden Vale ‡ .... Yr to Dec 31	561	(564)	8.3♣	(18.5♥)	3.21	(8.71)	1.8	June 30	1.8	2.26	2.26
Halstead (James) .... 6 mths to Dec 31	37.6	(38.1)	4.2	(4.96)	8.16	(10.88)	3.5	June 4	3.25	-	8.25
Highland Dist .... 6 mths to Feb 28	110.1	(101.8)	24.9	(22.2)	12.5	(12)	2.1	June 2	2	-	8.3
IBC .... Yr to Dec 31	120.3	(97)	13.7	(12.4♥)	27.8	(25.5)	6	May 30	5	9.3	8
Johnson Fry .... Yr to Dec 31	33.3	(30.9)	2.44	(2.88)	15.8‡	(20.7)	2	May 31	2	4	4
Jourdan (Thomas) .... Yr to Dec 31	25.3	(23.3)	0.851♣	(0.232)	3.7	(1.3)	1	July 4	0.75	1.5	1.25
Kynoch .... Yr to Dec 31	14.4	(13)	0.526	(0.011♣)	2	(0.2L)	nil	-	nil	nil	nil
Mooregay ◊ .... 6 mths to June 30	-	(-)	-	(-)	-	(-)	1.15	May 2	1	-	3.6
Oasis Stores .... Yr to Jan 25	81.7	(61.1)	15.6	(8.87♣)	19.51	(11.54)	4.9	June 24	3.3	7	3.33
QS .... Yr to Jan 25	59.2	(54.4)	0.148L♥	(0.702L)	0.39L	(1.53L)	nil	-	nil	nil	1.58
RJB Mining .... 53 wks to Dec 31	1,308	(1,461)	189.2	(173.1)	76.2	(67.7)	12	May 23	10.5	20	18
Smurfit (J) ‡ .... Yr to Dec 31	2,564	(3,033)	201.1	(431.0)	12.8	(28)	2.7	June 30	2.8	4.2	4
Tarmac .... Yr to Dec 31	2,664	(2,482)	105♣	(20.3♣)	0.4	(0.1)	2.5	June 20	2.5	5.5	5.5
Tesco .... Yr to Feb 22	13,887	(12,094)	750	(675)	24.1	(22.2)	7.1	July 1	6.65	10.35	9.6
Vymura .... Yr to Dec 31 ★	43.8	(37.3)	4.39♣	(2.42)	11.8	(7.1)	3.4	June 4	3.1	5	4.7
Yorkdyde .... Yr to Jan 31	22.2	(22.7)	1.81	(3.86)	10.7	(24.3)	5.35	July 1	5.35	8	8

Investment Trusts	NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
London & St Lawr .... 6 mths to Feb 28	205.79	(192.42♣)	0.694	(0.634)	2.71	(2.83)	3.12	May 23	3.12	-	6.24
Thompson Clive .... Yr to Dec 31	402.5	(349)	0.868	(0.311)	4.8	(2.3)	3.8	June 5	3.8	3.8	3.8

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ★Comparatives for 10 months. ‡Pro forma. ♣After exceptional charge. ♥After exceptional credit. †On increased capital. ‡On reduced capital. ‡Irish currency. ◊Aim stock. ★Comparatives restated. ✦At August 31.

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CONTRACTS & TENDERS

Government of the Republic of Lithuania

Invitation for expression of interest for advisors for privatisation of

LIETUVOS TELEKOMAS

The Government of Lithuania is intending to privatise national telecommunication company Lietuvos telekomas. The Government's objectives with the privatisation of Lietuvos telekomas are to:

- improve quality of telecommunication services in Lithuania;
- maximise the proceeds of the sale;
- transfer state of art telecommunications technology and
- strengthen competitiveness of Lietuvos telekomas

It is the Government's intention to engage a qualified Privatisation Advisor to prepare and execute privatisation of Lietuvos telekomas in a transparent manner. The PA will be responsible for all activities related to preparation and implementation of transaction but will be not allowed to bid in privatisation.

Expressions of interest to act as the Privatisation Advisor to the Government of Lithuania are requested from firms/consortia that have acted as the Lead Advisor to a government in a sale of telecommunication company.

Prospective firms/consortia may send their expression of interest by 2:00 p.m. local time, Friday, May 9, 1997, along with relevant and detailed documentation demonstrating that they meet the above specified criteria, to:

LAIMA ANDRIKIENE
MINISTER OF EUROPEAN AFFAIRS

Gedimino av. 56, LT-2685 Vilnius, Lithuania
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NOTE : This Advertisement does not constitute an invitation for potentially interested investors to initiate contacts with the Government of Lithuania.

Internet software · **Louise Kehoe**

The pull of push

Is the new technology the answer to a Web user's prayers or a threat to the democracy of the Net?

Seldom has a new computer technology created such a cacophony of excitement and criticism as "push", which automatically delivers selected information, video and audio to personal computers linked to the Internet or a corporate intranet without the need for Web surfing. It is being heralded as either the saviour or the destroyer of the World Wide Web.

Just as most of the companies in this emerging field are launching products, push technology is at the centre of a growing controversy. Enthusiasts see it as the answer to a weary Web user's prayers. No more wading through irrelevant sites, no more dead-end searches; the Web would be conveniently broadcast to your PC.

Critics fear, however, that push is the beginning of the end of the standards that have enabled the Internet to link disparate computer systems around the world. Microsoft and Netscape, the two leading suppliers of Web browser programs, have yet to agree on a standard for push technology.

This new breed of software is also seen as a threat to the democracy of the Internet, which enables anybody to become a global publisher. Traditional mass media publishers and powerful commercial interests will hijack the Web using push technology, some Internet fans fear.

Yet the software at the centre of these controversies appears, at first anyway, innocuous.

PointCast, the pioneer of push technology, has attracted more than 1m regular viewers to its Web news "channel" by automatically delivering newspapers, magazines and wire services at regular intervals, or on request by dial-up Internet users. It retrieves information from selected sources and presents it, with advertisements, headlines and stock prices, on a screen saver.

PointCast is easy and convenient and has become the model for push technology. But the service is limited in its selection of news sources and some users find the prominent advertisements annoying.

PointCast's success has, however, attracted the interest of several Internet software developers and at least half-a-dozen companies have started up over the past year to create various push technology tools. Each takes a slightly different approach.

The best known is Marimba, founded by four members of the team that developed Sun Microsystems' popular Java programming language. Marimba takes a similar approach to PointCast with Castanet.

Users can download a Castanet "tuner" and select content "channels", much like switching channels on a television. A transmitter server sends information directly to PCs whenever it is connected to the Internet.

Marimba stands out from the pack by creating software that will deliver application programs as well as information content. Thus Castanet could become an important tool for users of network computers which rely upon software stored in a central server. It may also find a place in the management of corporate networks where it could be used to distribute software upgrades.

BackWeb, another push technology start-up company, delivers InfoPaks from Web sites chosen by the user in the pauses between activity on the Internet. If the user is reading a document or writing an e-mail, for example, the software uses this time to retrieve information. Flashes appear around the edges of the PC screen to notify users that new information has been delivered. They click on the flash to view it.

Incisa from Wayfarer Communications is aimed at business users. It pushes information taken from the Internet or a corporate intranet to employees' desktops, and can be customised to meet the needs of a particular business.

Even as these fledgling companies rush to bring their products to market, a standards battle is brewing between Microsoft, the software industry leader, and Netscape Communications, the Internet software champion. Microsoft has proposed a set of standards for how information should be pushed over the Internet, which have been endorsed by several companies including PointCast and BackWeb, but not by Netscape.

Unless some compromise is reached, push channels that choose Microsoft's channel definition format will be compatible with the next version of Microsoft's Internet Explorer but not with Netscape's *forthcoming Constellation Internet* software package.

The broader issue for Internet users, however, is whether push technology will change the Web beyond recognition, and perhaps not for the better.

Although push technology could minimise the amount of surfing and searching the Web users need to do, it may also exacerbate the problems of information overload.

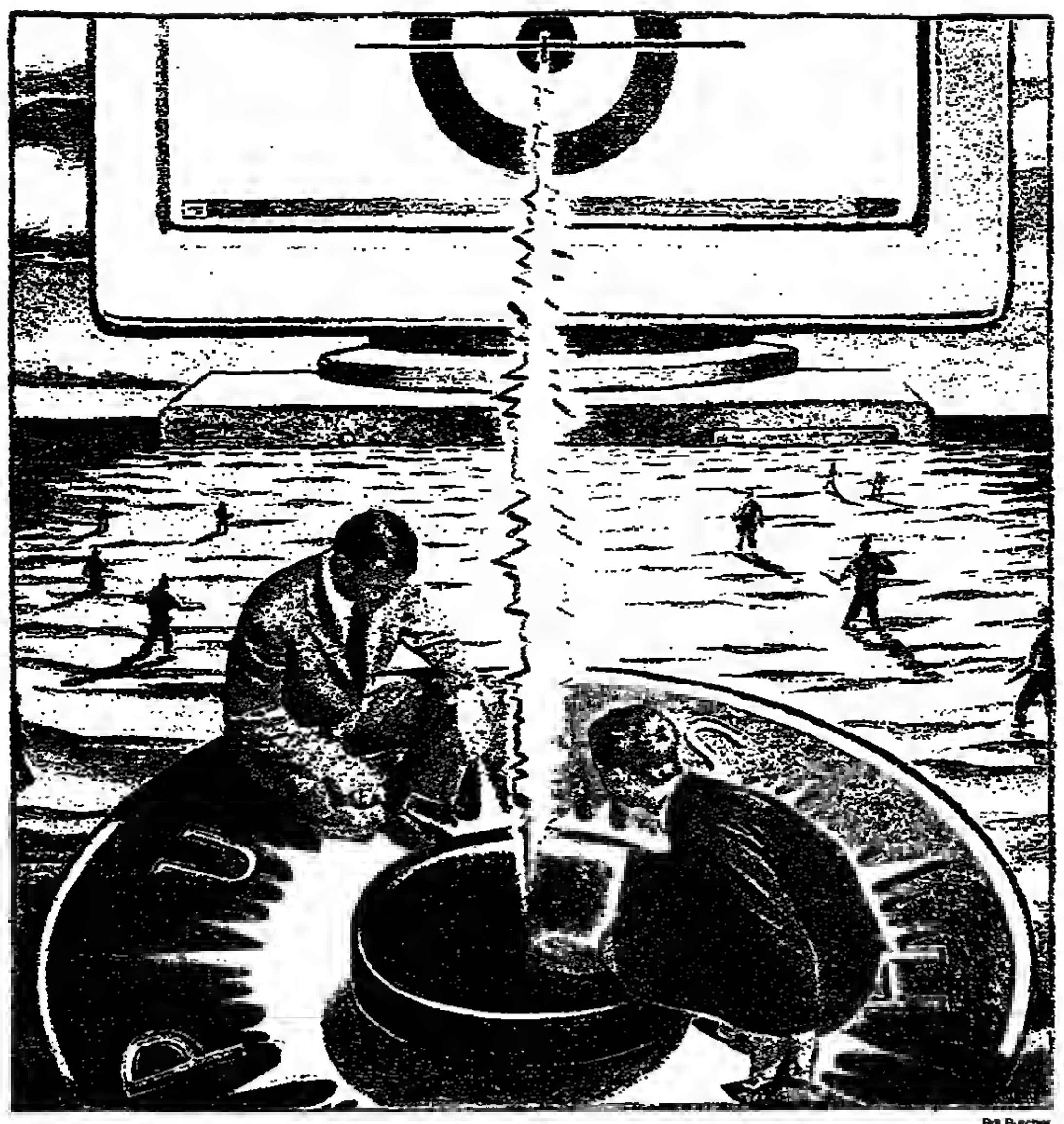
Many Internet users are already overwhelmed by the vast resources of the Web. If they are faced with the automatic delivery of hundreds of Web channels to their PCs, will they be better off?

While some Web users see push technology as a filter that will make Web information more manageable, others see it as an intrusion that will force more and more information on their computers.

Another potential problem is network capacity. A study published this week by Optimal Networks, a developer of network management software, suggests that push technology gobbles up network bandwidth, creating potential hassles on corporate intranets and the Internet.

Whatever its potential drawbacks, push technology is expected to be widely adopted. It is already attracting commercial Web publishers and advertisers who see it as a means of guaranteeing a large audience for their Web publications. Market researchers at the Yankee Group predict that push technology will generate $5.7bn (£3.58bn) in Internet revenues from content subscriptions, advertising and retail sales by 2000.

If push technology accelerates the commercialisation of the Internet, however, it could end a golden opportunity. Much of the appeal of the Web, many users believe, is as a medium for individual and small publishers who may be left behind.



Bill Butcher

Information Technology

● The FT's review of Information Technology appears on the first Wednesday of each month

Darwin's missing link

A UK company set up by the great-great grandson of Charles Darwin says it has solved the frustrating problem of keeping abreast of all your messages – in all formats – while you are on the road.

Robert Darwin, managing director of Digital Mail, claims to offer a unique and more comprehensive and reliable service than that pioneered by US rivals such as Faxaway and Jfax. "We offer many more features," sniffs Darwin.

"Whereas Jfax gives its customers one phone number for voice messages and another for fax messages," says Darwin, "we provide a one-stop mailbox for all kinds of data – voice, fax, e-mail and even post. We are the 'missing link'."

Over the past two years the company has climbed the technical Everest of interlinking hitherto incompatible media by inventing and perfecting its own software – Distributed Object Language Interface.

The program is a Windows application which took more than a year to develop. It essentially allows users to view faxes and play voice-mail messages.

At Digital Mail's London headquarters, two 6ft-cabinets crammed with electronics form the heart of its business. Voice mail is converted into computer files and faxes are forwarded as picture files. "First, we encrypt our customers' voice mail, and we can also notify you that a message is waiting by whatever medium you require – be it by phone, pager, cellphone text, or a fax," says Darwin.

"For just £11.40 a month we get messages to where you are, in the format you want," he says. Users access their digital mailboxes via a series of prompts. "If there's no answer after two rings, there are no messages – and you haven't paid for the call," says Darwin.

Digital Mail also forwards post. "We were surprised by its popularity. No one else is doing it on this side of the Atlantic," says Darwin. Staff open your mail, scan it and put it on the Internet for users to access it whenever they want. Darwin says both Faxaway and Jfax are, in effect, simple gateway systems which have undertaken a lot of international expansion. Digital Mail, he says, is much more sophisticated but does not yet have comparable sales and marketing muscle.

Unlike its rivals Digital Mail is not dependent on e-mail. "With Digital Mail you can access your messages via the telephone, and – very soon – via the World Wide Web."

Next will be text-to-speech facilities. Callers can have their e-mail read to them.

As Darwin puts it: "It is the combination of the coverage of all modes and the intermodal characteristics, plus the receive, store, forward and notify features that makes us unique . . . We build bridges and charge people to cross."

Marcus Gibson

Watching brief

Microsoft aims to cash in on banking

Microsoft has launched two initiatives to encourage banks to use its software as part of its drive to become a provider of the underpinnings of online banking rather than a direct competitor to established institutions.

It will waive the charges that banks pay for linking their online services to Microsoft Money, the personal finance program which allows consumers to analyse their income and spending.

The aim is to encourage banks to promote Microsoft Money to their customers rather than Quicken, the rival software product from Intuit.

Separately, it has unveiled Marble, a set of "building blocks" for financial institutions developing sites for online services such as bill paying and viewing of statements.

Marble, based on the Open Financial Exchange standard, provides tools that enable a website to exchange data with an institution's existing systems and to connect to third-party services, such as bill paying from CheckFree.

Microsoft, US: tel 408 986 1140; http://www.microsoft.com/corpinfo/

How to navigate Web channels

Using the metaphor of television channels for the Internet, which many website developers believe can help consumers make sense of the Net, has won another convert.

Excite, the leading navigation service after Yahoo!, has announced it is creating an online environment which mimics that of traditional electronic media.

Initially, Excite plans to roll out 14 channels arranged around topics such as the arts and entertainment, sports and business, and investing. It is following AOL, the largest online service, which has a stake in Excite.

However, Excite's move comes as a concern grows over the push model for the

Internet (see main article above), which comes even closer to television by delivering content to a personal computer without requiring the user to specifically call down the information.

Excite, US: http://www.excite.com/; tel 415 943 1217

Dominating the network standard

Microsoft, already the leader in software for standalone personal computers, is extending its dominance to corporate networks.

Windows NT, the company's powerful operating system for business, outsold its main rival in 1996, the company says.

International Data Corporation, the market research group, says sales of Windows NT Server, the core software which resides on the powerful machines at the nexus of a corporate network, were double new units of NetWare 4.x shipped by Novell.

Windows NT had a slow start in the early 1990s. But sectors such as financial services, which had relied on computers based on the Unix standard and running operating systems such as NetWare, have increasingly switched to Windows NT in the past year.

Microsoft, US: tel 503 245 0905; http://www.microsoft.com/ntserver/

Software gets into fine Internet voice

Internet telephony, the province of small start-ups and a few adventurous carriers such as Telecom Finland, has some new supporters.

Lucent Technologies, the communications equipment company spun off from AT&T, has introduced a product that allows users to make calls over the Internet from ordinary voice telephones or fax machines.

Most Internet telephony applications require users at both ends to use personal computers bolstered with special software.

But Lucent's Internet Telephony Server, installed at switches near the points of origination and termination of a call, can allow a carrier to divert calls from an ordinary phone off its voice network to the more efficient Internet.

Elemedia, Lucent's speech coder, improves the typically crackly quality of transmission for voice calls on the Internet.

MCI, the US carrier which is merging with British Telecommunications, and France Telecom, the national operator, are both mounting a trial of the Lucent technology.

Hear this: better quality on Net calls from ordinary phones

Lucent, US: http://www.lucent.com; tel 908 559 6149

Out of online Utopia and into business

Virtual communities, jettisoning their origins as amateurish bulletin boards and their dreams of online Utopia, have sold out.

The ultimate proof: Howard Rheingold, author of *The Virtual Community* and a pioneer of the concept, has joined the rush to put online interaction at the service of business.

Companies have latched on to chat and message boards as a means of bolstering the time Web users spend in their site and securing their return.

Rheingold, defender of the medium against business encroachments, now says he wants to bring "community" to the commercial world.

Electric Minds, a venture founded by Rheingold and backed financially by Softbank, is working on a forum for International Business Machines.

Electric Minds, US: http://www.minds.com; tel 415 512 8900

Ethernet standards pick up speed

Gigabit Ethernet is emerging more clearly as a hardware standard for extra-fast computer networks within organisations.

Joining the start-ups that have pioneered the technology, 3Com has announced a new switch for directing traffic over Gigabit Ethernet pipes and a card with which to hook up the server computers which then relay traffic to individual personal computers.

Gigabit Ethernet has at least 10 times the capacity of existing Ethernet networks.

3Com, US: http://www.3com.com; tel 408 764 5000

Watching Brief is compiled by Nicholas Denton: e-mail nick.denton@FT.com; fax UK (0171) 873 3196

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High-yielders lower on profit-taking

GOVERNMENT BONDS

By Michael Lindemann in London and Lisa Bransten in New York

Europe's high yielding bond markets yesterday headed downwards on profit-taking as investors sought to lock in the gains made earlier in the week.

In the US Treasury market, prices drifted slightly lower as traders awaited the results of the second auction of index-linked Treasury bonds.

Traders said the technical correction in Italian and Spanish government bonds was justifiable, after the strong gains of the past few days.

Since the beginning of the month the London-listed future on 10-year Italian BTPs has risen by more than three percentage points. Some traders said that Monday's rise, in particular, might have been "overdone".

Italian BTPs suffered most. In London the June BTP future closed 0.46 lower at 127.04, while in the cash market the 10-year yield spread over bunds widened 7 basis points to 183 points.

Uncertainty dominated the markets, with traders unsure about the likelihood of a sustained rally or more selling.

"The reason the market is quiet is not because there is nothing to think about but because there is so much to think about," said Mr Mark Fox, chief European strategist at Lehman Brothers in London.

Downward pressure on BTPs was compounded by anxiety about whether Mr Romano Prodi, the Italian prime minister, would be able to persuade the lower house of parliament to sanction a multinational military force for Albania in a vote today.

However, analysts were reluctant to believe that the government would fall over the vote.

"It's been a very confused situation," said Mr Luca Jellinek at Paribas Capital Markets. "But it would seem incredible if the government fell on this."

Spanish bonos, meanwhile, proved more resilient. After falling in early trading, they recovered slightly on expectations of bullish March inflation data, due to be released on Friday.

In Barcelona the June bono future settled 0.04 higher at 113.38, after reaching an intraday low of 112.94. In the cash market the 10-year yield spread over bunds tightened by 1 basis point to 97 points.

Mr Cristobal Montoro, Spain's economy minister, encouraged market expectations by describing the March inflation rate as "good".

Spanish consumer price inflation slowed in February to an annualised rate of 2.5 per cent, from 2.9 per cent in January.

Better inflation figures would raise the likelihood of a cut in leading interest rates when the bank of Spain meets next Tuesday.

Following weekend reports that Germany was softening its attitude to the Maastricht criteria for a single currency, Mr Montoro said Spain's chances of participating in a single European currency as a founding member in January 1999 were improving.

"With the passport we carry it isn't possible for anyone to say 'no'," he said. "The countries of the south are proving we can do our homework."

German bonds, which had also enjoyed a strong start to the week, suffered from profit-taking. The fall was dampened, however, by March unemployment figures which were slightly weaker than expected.

The June 10-year bund future closed at 100.22, down 0.06, but well off the day's low of 100.07.

French OATs traded quietly throughout the day. Analysts said that prices had mainly tracked the bund market.

"The French market was essentially a follower," one trader said. "We trailed the bund when it fell in the morning and we climbed back with it when it recovered in the afternoon."

The June notional future settled at 128.30, up 0.10.

US Treasury prices were lower in quiet trading early yesterday as investors awaited the results of the afternoon auction of inflation-linked bonds.

By early afternoon in New York the benchmark 30-year Treasury had given up nearly all Monday's gains and was off [illegible] at 94[illegible] to yield 7.103 per cent, while at the short snd of the maturity spectrum the two-year note was $\frac{1}{32}$ weaker at 99[illegible] to yield 6.403 per cent. In Chicago the June 30-year bond future fell [illegible] at 107[illegible].

At mid-afternoon, the Treasury was to release the results of the auction of $8bn in inflation-linked 10-year bonds.

There was some worry in the market that the auction would not be as successful as the first sale of Treasury Inflation Protected Securities, known as TIPS.

Existing TIPS were [illegible] lower at 98[illegible] to yield 3.588 per cent, while 10-year notes were [illegible] weaker at 95[illegible] to yield 7.103 per cent.

"That's what is really holding the market back," said Mr Richard Gilhooly, international bond strategist at Paribas Capital Markets in New York. "People are waiting for the TIPS auction."

He said it was somewhat eurprising that the recent strong run-up in the dollar had failed to lift the Treasury market.

Success for BT seen as sign of confidence

INTERNATIONAL BONDS

By Samer Iskandar

The successful launch yesterday of British Telecommunications' $1bn issue of five-year notes was interpreted as a sign of returning confidence. Traders said it may end the sell-off that pushed the yield on 10-year US Treasuries up by more than 30 basis points to about 6.90 per cent yesterday.

"We have seen investors come back to switch out of two-year and three-year paper to go into five-year and 10-year maturities," one bond salesman said. "The message is starting to sink in that the Fed's rate rise was pre-emptive, and that this is good for bonds."

The lead managers of the BT offering, Merrill Lynch and SBC Warburg, brought the pricing forward to 11am (London time), from 3pm.

"Overnight sales [in Asia] went very well and we saw a good response from institutional investors in the morning," SBC said. "So we chose to price the deal while the market was stable."

The bonds were freed to trade at 11.30am and by the end of the day their yield spread over Treasuries had tightened by 1 basis point from the launch level of 15 basis points.

The lead managers said the rarity value attached to BT contributed largely to the success of the launch. The transaction was BT's first issue in the dollar sector since July 1994.

A BT official said the company was "delighted by the success of the issue".

He explained that the five-year maturity "fits BT's maturity profile and reduces [its] dependence on the commercial market paper" in a period that could see funding requirements increase ahead of the planned merger with MCI.

An official at Merrill Lynch said: "Demand came mainly from institutions, but we expect retail interest to follow."

Halifax, the UK building society, also made a rare market appearance, with a £200m issue of 15-year floating-rate notes.

Lead manager SBC Warburg said the paper was mainly placed with UK institutional investors.

Other deals launched yesterday included a retail-targeted five-year issue in D-Marks for the European Investment Bank and an Italian lira-denominated issue from the World Bank.

● Cades, the French government entity set up to manage the repayment of the country's accumulated social security deficits, has launched Y100bn of dual-currency bonds on the Japanese domestic, or "samurai", market.

The bonds, issued in yen, will pay a coupon of 5.20 per cent, but will be redeemed in dollars at maturity, in April 2000. The proceeds will be swapped into French francs.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
British Telecommunications	1bn	6.75	99.05R	Apr 2002	0.25R	+15(6%Mar02)	Merrill/SBC Warburg
D-MARKS							
SüdwestLB Capital Mkts(a)	300	5.25	99.57R	Dec 2003	0.30R	+8(6%Sep03)	Rabobank International
European Investment Bank	300	4.75	99.95R	May 2002	0.25R	+10(5%Nov01)	BayerVB/SBC Warburg
STERLING							
Halifax B/S(a)‡	200	(a1)	99.80R	Apr 2012	0.35R	-	SBC Warburg
C'wealth Dev Bk of Australia	100	7.375	99.87R	Apr 2000	0.1875R	+27(6%Aug99)	Salomon Brothers Intl
ITALIAN LIRE							
World Bank(b)	150bn	7.45	99.95R	May 2002	0.18R	-	Credito Italiano
DANISH KRONER							
De NIB(s)	400	5.875	102.00	Dec 2002	1.875	-	Bank Brussels Lambert

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡ Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. a) Callable in Apr 07 at par. a1) 3-mth Libor +25bp to Apr 07, then +125bp. b) Callable on 20/5/98 at par. s) Short 1st coupon.

CAPITAL MARKETS NEWS DIGEST

Greece reduces cost of borrowing

Greece has obtained a significant reduction in its borrowing costs on a new $1.1bn syndicated loan launched yesterday. The Hellenic Republic is borrowing the money – its biggest syndicated loan transaction – over five years at an interest rate of 25 basis points over Libor. It will use the money to refinance two existing facilities, a $500m five-year loan agreed in July 1994 and a $800m facility agreed in March 1995, on both of which it is paying 80 basis points over Libor.

When Greece last came to the market in August last year, it borrowed $600m, paying 45 basis points for the first three years of the facility, rising to 50 points over Libor in years four and five.

UBS, which was documentation agent as well as part of the arranging group for the transaction, said yesterday that the underwriting was "significantly oversubscribed".

Book-runners are Bank of Tokyo-Mitsubishi and NatWest Markets, and the facility agent Morgan Guaranty Trust. Some 28 banks made up the arranging group. Syndication is due to close on April 22, with the funds available to the borrower by May 20.

Richard Lapper, Capital Markets Editor

New rating criteria from S&P

Standard & Poor's, the international credit rating agency, has introduced new criteria for rating UK bond issues backed by commercial property, reflecting a growth in interest in these issues in the UK market.

S&P has rated 12 such transactions in the UK in the last three years. It said the technique could help property companies and other property owners diversify funding sources.

At present, most property in the UK is financed through bank lending, but S&P points to the sharp growth in the popularity of property-backed securitisation in the US over the last five years, where some 10 per cent of real estate funding is through the capital markets. S&P has also rated property-backed issues in France and Sweden. The new UK ratings take into account the fact that leases in the UK property market typically extend to 15 years compared with five years in the US, or three, six or nine years in France.

Richard Lapper

EIB in loan to Rennes

The European Investment Bank, in partnership with four banks, is making available a FFr1.05bn loan for the construction of a light urban railway system in the French city of Rennes.

The operation is structured in two parts, one of FFr450m and another of FFr600m, with Crédit Local de France, Société Générale, Crédit National-BFCE and Bayerische Vereinsbank. EIB landing for urban infrastructure projects in France has amounted to nearly FFr13bn over the past five years, of which more than FFr2.3bn has financed public transport schemes.

Samer Iskandar

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.750	11/06	91.9775	+0.250	7.96	8.02	7.54
Austria		5.625	01/07	98.1300	+0.050	5.88	5.93	5.53
Belgium		6.250	03/07	101.5900	+0.040	6.03	6.13	6.66
Canada *		7.000	12/06	100.8800	-0.040	6.87	6.80	6.23
Denmark		6.000	03/06	109.1800	+0.180	6.60	8.77	6.21
France	BTAN	4.750	03/02	102.7243	-0.040	4.82	4.90	4.36
	OAT	5.500	04/07	97.6200	-0.100	5.82	5.89	5.35
Germany Bund		6.000	01/07	100.6300	-0.080	5.91	6.00	5.54
Ireland		6.000	08/06	107.9700	+0.040	6.81	6.96	6.37
Italy		6.750	02/07	94.2700	-0.480	7.59†	7.99	7.12
Japan	No 143	6.300	09/01	120.6004	+0.130	1.38	1.48	1.37
	No 182	3.000	09/05	106.4167	-0.080	2.11	2.28	2.40
Netherlands		5.750	02/07	99.5800	-0.040	5.80	5.86	5.31
Portugal		9.500	02/06	117.4000	-0.200	6.82	7.11	6.70
Spain		7.350	03/07	103.3200	+0.030	8.87	7.29	8.73
Sweden		8.000	08/07	106.0064	+0.810	7.15	7.46	6.65
UK Gilts		7.000	06/02	98-22	+2/32	7.31	7.43	6.72
		7.250	12/07	97-13	+2/32	7.61	7.71	7.15
		8.000	10/08	109-27	+2/32	7.70	7.79	7.24
US Treasury *		6.250	02/07	95-14	-6/32	6.89	8.89	8.37
		6.625	02/27	94-01	-10/32	7.11	7.09	6.64
ECU (French Govt)		7.000	04/06	105.6000	-0.020	8.17	6.30	5.78

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	6.44
Prime rate	8½	Two month	-	Three year	6.58
Broker loan rate	7¼	Three month	5.24	Five year	6.76
Fed.funds	5⅜	Six month	5.55	10-year	6.80
Fed.funds at intervention	-	One year	5.96	30-year	7.11

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	128.54	128.30	+0.10	128.56	128.18	136,500	160,841
Sep	126.86	126.86	+0.10	126.86	126.60	60	4,731
Dec	96.50	96.30	+0.10	96.50	96.50	2	-

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls May	Calls Jun	Calls Sep	Puts May	Puts Jun	Puts Sep
127	1.43	1.77	1.41	0.13	0.48	1.75
128	0.67	1.10	0.97	0.37	0.80	2.29
129	0.22	0.61	0.62	0.92	1.31	2.93
130	0.05	0.29	0.37	1.75	1.98	-
131	0.01	0.11	0.23	2.71	2.80	-

Est. vol. total, Calls 22,407 Puts 27,370. Previous day's open int., Calls 121,233 Puts 148,951.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	100.45	100.22	-0.06	100.48	100.07	211061	260247
Sep	99.26	99.23	-0.03	99.36	99.12	1146	5087

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls May	Calls Jun	Calls Jul	Calls Sep	Puts May	Puts Jun	Puts Jul	Puts Sep
10000	0.57	0.90	0.69	1.00	0.35	0.68	1.46	1.77
10050	0.32	0.63	0.50	0.80	0.60	0.91	1.77	2.07
10100	0.18	0.42	0.35	0.62	0.94	1.20	2.12	2.39

Est. vol. total, Calls 17268 Puts 26160. Previous day's open int., Calls 216909 Puts 242215

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	127.55	127.04	-0.46	127.55	126.50	81247	109178
Sep	127.05	127.04	-0.46	127.05	127.05	115	3179

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
12700	1.47	2.47	1.43	2.43
12750	1.21	2.17	1.67	2.63
12800	0.96	1.90	1.92	2.86

Est. vol. total, Calls 4440 Puts 4978. Previous day's open int., Calls 103231 Puts 105744

Spain

■ NOTIONAL SPANISH BONO FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	113.50	113.38	+0.02	113.50	112.94	106,597	82,317
Sep	-	112.54	-	-	-	-	3

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	109-02	109-03	+0-02	109-08	108-25	56469	161598
Sep	108-22	108-30	+0-04	109-02	108-22	1960	742

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls May	Calls Jun	Calls Jul	Calls Sep	Puts May	Puts Jun	Puts Jul	Puts Sep
109	0-42	1-14	1-32	2-00	0-36	1-08	1-36	2-04
110	0-16	0-48	1-03	1-35	1-10	1-42	2-07	2-39
111	0-04	0-29	0-45	1-10	1-62	2-23	2-49	3-14

Est. vol. total, Calls 2578 Puts 1166. Previous day's open int., Calls 85220 Puts 32806

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	94.12	94.10	+0.08	94.28	94.10	1,291	5,847

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	107-21	107-21	+0-21	107-24	107-10	244,441	436,373
Sep	107-09	106-28	-0-10	107-09	106-29	798	34,045
Dec	106-27	106-24	-	106-27	106-21	565	5,301

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	127.00			127.07	126.91	1622	na
Sep	125.67			125.67	125.65	4	na

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FTSE Actuaries Govt. Securities — UK Indices

Price Indices UK Gilts	Tue Apr 8	Day's change %	Mon Apr 7	Accrued interest	xd adj. ytd		Low coupon yield Apr 8	Apr 7	Yr. ago	Medium coupon yield Apr 8	Apr 7	Yr. ago	High coupon yield Apr 8	Apr 7	Yr. ago
1 Up to 5 years (19)	119.77	0.04	119.73	2.26	3.40	5 yrs	7.38	7.36	7.53	7.42	7.41	7.56	7.45	7.46	7.66
2 5-15 years (20)	148.98	0.03	148.94	3.08	2.58	15 yrs	7.73	7.74	8.23	7.75	7.75	8.25	7.85	7.82	8.35
3 Over 15 years (7)	168.62	-0.03	168.66	4.58	3.16	20 yrs	7.81	7.82	8.31	7.79	7.78	8.30	7.66	7.62	8.39
4 Irredeemables (5)	193.32	0.12	193.10	3.77	2.37	Irred.†	7.89	7.89	8.36						
5 All stocks (51)	143.31	0.02	143.28	3.06	3.07										

Index-linked							Inflation 5% Apr 8	Apr 7	Yr. ago	Inflation 10% Apr 8	Apr 7	Yr. ago
6 Up to 5 years (2)	203.71	0.07	203.57	0.97	2.18	Up to 5 yrs	3.34	3.36	2.97	2.64	2.65	1.64
7 Over 5 years (10)	194.82	-0.09	195.00	1.19	2.18	Over 5 yrs	3.64	3.63	3.74	3.44	3.43	3.54
8 All stocks (12)	194.70	-0.07	194.84	1.17	2.18							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Apr 8	Apr 7	Apr 4	Apr 3	Apr 2	Yr ago	High*	Low*
Govt. Secs. (UK)	93.60	93.65	93.41	93.40	93.52	92.48	96.62	93.31
Fixed Interest	116.62	116.30	116.34	117.18	117.24	111.87	120.18	115.32

Gilt Edged Activity Indices

	Apr 7	Apr 4	Apr 3	Apr 2	Apr 1
Gilt Edged bargains	NA	27.4	47.9	33.9	57.4
5-day average	NA	48.8	66.8	76.6	86.7

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FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on April 8

	Issued	Bid	Offer	Chg	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	96¾	97	-⅛	7.17
ABN Amro Bank 7¼ 05	1000	98¾	99	-¼	7.59
African Dev Bk 7¾ 23	500	96	96½	-⅛	7.74
Alberta Province 7⅜ 99	1000	101½	101⅝		6.55
[illegible]					
Spain 7¼ 03	4000	103⅝	103¾		5.31
Volkswagen Intl Fin 7 03	1500	107¼	107⅜	+⅛	5.59
World Bank 5⅞ 03	3000	103¼	103⅜		5.29
World Bank 6⅛ 02	3000	104¾	104⅞		5.10
World Bank 7⅛ 05	3000	108⅝	108¾	-⅛	5.75
Abbey Natl Treasury 8 03 £	1000	100½	100⅝	+¼	7.89
British Land 6⅞ 23 £	150	89¼	89½	+⅞	9.15
Denmark 6¾ 98 £	500	99⅝	99¾	+⅛	7.00
Depfa Finance 7⅛ 03 £	500	95¾	96		7.96
EIB 6 03 £	1000	101½	101¾		7.69
[illegible]					

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Shorts (Lives up to Five Years)						
Treas Cnv 7pc 1997‡‡	6.98	6.23	100⅛	—	101⅛	100⅛
Treas 8¾pc 1997‡‡	8.67	6.26	100⅞	—	107[illegible]	100[illegible]
Exch 15pc 1997	14.34	8.36	104⅝	-⅛	114⅞	102[illegible]
Exch 9¾pc 1998	9.53	6.55	102[illegible]	-⅛	106[illegible]	100⅛
Treas 7¼pc 1998‡‡	7.21	6.84	100[illegible]	—	103[illegible]	100⅛
Treas 7½pc 2006‡‡	7.70	7.64	100[illegible]	+⅛	107¼	96⅞
Treas 8pc 2002-6‡‡	7.92	7.59	101⅛	—	104⅞	98⅝
Treas 11¾pc 2003-7	9.83	7.51	119[illegible]	-⅛	124⅛	115⅝
Treas 8½pc 2007 ‡‡	8.02	7.98	105[illegible]	+⅛	110[illegible]	101⅛
Treas 7 1/4pc 2007‡‡	7.44	7.60	97⅛	+⅛	102[illegible]	95⅞
[illegible]						

Index-Linked	(1)	(2)	Price £	+ or -	52 week High	52 week Low
4⅝pc '98‡‡ (135.6)	-	2.28	114	+⅛	114⅞	111[illegible]
2½pc '01 (78.3)	2.79	3.40	185[illegible]	+⅛	187[illegible]	177[illegible]
2½pc '03 (78.8)	3.05	3.49	181[illegible]	+⅛	184⅞	173⅞
4⅝pc '04‡‡ (135.6)	3.11	3.50	117¼	—	120⅛	113[illegible]
2pc '06 (69.5)	3.25	3.54	191	-⅛	195[illegible]	181⅛
[illegible]						

Other Fixed Interest

[illegible]

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CURRENCIES AND MONEY

Yen slides as trade fears fade

MARKETS REPORT

By Simon Kuper

The dollar rose further against the yen yesterday on signs that some Tokyo officials could live with their currency's fall below the key Y125 level.

The dollar also held on to its large gains of Monday against the D-Mark.

Many Japanese officials tried to talk up the yen yesterday after it had fallen below Y125 on Monday. However, forex traders largely ignored the talk. They doubt Tokyo would support its currency by raising interest rates or intervening in the market. Even hints at intervention from Mr Eisuke Sakakibara, the ministry of finance official known to forex traders as "Mr Yen", made little impact.

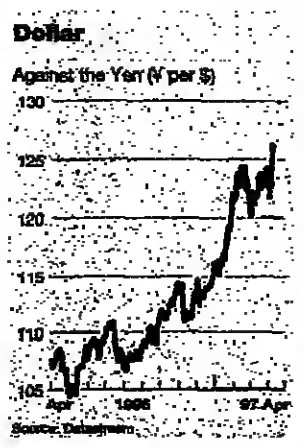
Instead, dealers listened to Mr Tsutomu Makino, vice trade minister, and Mr Tadashi Ogawa, the top ministry of finance official. Mr Makino denied that the yen's decline below Y125 – long viewed as Tokyo's political cap on the dollar – "would immediately become a problem". He said: "I think the weak yen for now is more positive than negative for the economy."

Mr Ogawa denied that Tokyo would try strengthening the yen in order to reduce its trade surplus with the US. His statement followed comments last week from Mr Robert Rubin, US treasury secretary, who said the US would likewise not use its currency to manage trade. The two men's comments have defused market fears that Washington and Tokyo would back a stronger yen for trade reasons. Figures released on Monday suggested that Japan's trade surplus was unsustainable, and thus less of a political issue than previously thought. Mr Marc Chandler, senior currency economist at Deutsche Morgan Grenfell in New York, said policy-makers now accepted that the dollar's advance was supported by economic fundamentals.

The dollar gained Y0.4 against the yen yesterday to close in London at Y126.2. The US currency has risen more than 4 per cent against the yen in the last four days.

Mr Peter von Maydell, senior currency economist at UBS in London, said that the dollar could swiftly rise as high as Y130, as it would encounter few technical obstacles on the way.

The Swedish krona recovered against the D-Mark on signs that next week's supplementary budget would be less expansionary than the markets had expected.



The krona rose from SKr4.512 to SKr4.480 against the D-Mark.

The lira dropped L3.1 to L987.0 against the D-Mark, as Italian bonds fell on renewed tensions between the country's government and opposition over Albania and welfare reform.

Sterling, which had soared 3.9 pfennigs against the D-Mark on Monday, yesterday dropped back 1.1 pfennigs to DM2.777. That was just below its old floor of DM2.7780 in the European exchange rate mechanism, from which it was ejected in September 1992.

■ The D-Mark, which had plunged 3.5 pfennigs against the dollar on Monday, yesterday failed to claw back any ground. It closed unchanged at DM1.711 to the US currency, held back by disappointing German unemployment data for March, and by a growing belief that European monetary union would occur on schedule.

Mr Theo Waigel, finance minister, said yesterday that high German jobless levels would have "no direct influence" on the timetable for Emu. Last weekend, at a European Union summit in the Netherlands, Mr Waigel had hinted that Germany would relax the fiscal criteria that nations had to meet in order to join Emu, if that would ensure the project went ahead. However, he later said he had been joking.

■ The discrepancy between the strong US economy and the faltering German one is also depressing the D-Mark. But that will change soon, according to Goldman Sachs.

The bank said in yesterday's weekly research report: "This will be the last profitable period to buy the dollar against the D-Mark this year. Investors should therefore sell dollars this quarter in the DM1.75-DM1.77 range. One year from now, Goldman predicts, Germany's economy will have recovered and the dollar will be worth just DM1.45."

■ Pound in New York

Apr 8	—Latest—	—Prev. close—
£ spot	1.6245	1.6265
1 mth	1.6236	1.6279
3 mth	1.6221	1.6261
1 yr	1.6150	1.6181

■ OTHER CURRENCIES

Apr 8	£	$
Czech Rp	47.6548 - 47.7445	29.3540 - 29.4000
Hungary	[illegible]	[illegible]
Iran	4871.40 - 4888.70	3000.00 - 3000.00
Kuwait	0.4932 - 0.4938	0.3036 - 0.3040
Poland	5.0350 - 5.0435	3.1030 - 3.1080
Russia	9317.67 - 9325.48	5741.00 - 5743.00
U.A.E.	5.9606 - 5.9644	3.6728 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Apr 8		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	19.5490	-0.0762	370 - 609	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	103.6
Belgium	(BFr)	57.3366	-0.1754	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	103.3
Denmark	(DKr)	10.5853	-0.0348	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	105.3
Finland	(FM)	8.2829	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-	-	82.2
France	(FFr)	9.3473	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	105.4
Germany	(DM)	2.7775	-0.0109	760 - 790	2.7947	2.7751	2.7708	2.9	2.7573	2.9	2.6906	3.1	105.0
Greece	(Dr)	437.404	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-	-	68.1
Ireland	(I£)	1.0470	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	101.7
Italy	(L)	2741.11	-1.88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	78.4
Luxembourg	(LFr)	57.3366	-0.1754	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	103.3
Netherlands	(Fl)	3.1236	-0.0122	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	103.0
Norway	(NKr)	11.2691	-0.0613	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	100.9
Portugal	(Es)	278.782	-1.074	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	94.4
Spain	(Pta)	234.647	-0.771	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	77.9
Sweden	(SKr)	12.4365	-0.1431	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	84.5
Switzerland	(SFr)	2.3889	-0.0055	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	103.0
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	98.1
Ecu	-	1.4221	-0.0026	212 - 229	1.4259	1.4201	1.4199	1.8	1.4152	1.9	1.3901	2.3	-
SDR†	-	1.181466	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6231	-0.0064	226 - 236	1.6285	1.6195	-	-	-	-	-	-	-
Brazil	(R$)	1.7179	-0.0065	172 - 185	1.7233	1.7141	-	-	-	-	-	-	-
Canada	(C$)	2.2523	-0.0116	[illegible]	[illegible]	[illegible]	2.2464	3.1	2.2397	2.8	2.1911	2.7	84.9
Mexico	(New Peso)	12.7977	-0.0843	[illegible]	[illegible]	[illegible]	-	-	-	-	-	-	-
USA	($)	1.6234	-0.0083	229 - 238	1.6289	1.6196	1.6228	0.4	1.6212	0.5	1.6136	0.6	105.5
Pacific/Middle East/Africa													
Australia	(A$)	2.0779	-0.0213	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	98.7
Hong Kong	(HK$)	12.5798	-0.0463	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
India	(Rs)	58.2052	-0.2277	[illegible]	[illegible]	[illegible]	-	-	-	-	-	-	-
Israel	(Shk)	5.4974	-0.0156	[illegible]	[illegible]	[illegible]	-	-	-	-	-	-	-
Japan	(Y)	204.834	-0.109	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	120.4
Malaysia	(M$)	4.0654	-0.0064	[illegible]	[illegible]	[illegible]	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3553	-0.0063	534 - 571	[illegible]	[illegible]	2.3582	-1.5	2.3639	-1.4	2.3836	-1.2	115.6
Philippines	(Peso)	42.8078	-0.1574	634 - 521	42.8521	42.7634	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.0885	-0.0236	865 - 904	6.1064	6.0754	-	-	-	-	-	-	-
Singapore	(S$)	2.3393	-0.0098	378 - 407	2.3462	2.3380	-	-	-	-	-	-	-
South Africa	(R)	7.1842	-0.033	797 - 886	7.2150	7.1797	-	-	-	-	-	-	-
South Korea	(Won)	1451.28	-5.67	763 - 492	1457.65	1447.63	-	-	-	-	-	-	-
Taiwan	(T$)	44.7720	-0.1263	271 - 169	44.8665	44.6966	-	-	-	-	-	-	-
Thailand	(Bt)	42.3451	-0.1066	171 - 731	42.4380	42.2380	-	-	-	-	-	-	-

1 Rates for Apr 7. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T. The exchange rates printed in this table are also available on the Internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Apr 8		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan Index
Europe													
Austria	(Sch)	12.0424	+0.0002	383 - 464	12.0805	12.0380	12.0277	1.5	11.9824	2.0	11.7874	2.1	103.3
Belgium	(BFr)	35.3200	+0.03	000 - 400	35.4400	35.2800	35.26	2.0	35.1325	2.1	34.5825	2.1	103.3
Denmark	(DKr)	6.5206	+0.0041	186 - 218	6.5459	6.5142	6.5117	1.6	6.4933	1.7	6.4116	1.7	105.3
Finland	(FM)	5.1085	-0.0031	052 - 118	5.1275	5.0825	5.0987	2.1	5.081	2.2	4.9965	2.2	82.5
France	(FFr)	5.7580	+0.0036	570 - 590	5.7825	5.7545	5.7473	2.2	5.7263	2.2	5.619	2.4	105.0
Germany	(DM)	1.7110	-	105 - 114	1.7183	1.7100	1.7078	2.2	1.7013	2.3	1.6676	2.5	104.6
Greece	(Dr)	269.445	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	65.8
Ireland	(I£)	1.5497	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Italy	(L)	1688.55	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	78.3
Luxembourg	(LFr)	35.3200	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	103.3
Netherlands	(Fl)	1.9242	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	102.8
Norway	(NKr)	6.9418	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	100.0
Portugal	(Es)	171.720	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	95.0
Spain	(Pta)	144.545	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	77.7
Sweden	(SKr)	7.6610	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	83.6
Switzerland	(SFr)	1.4704	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	103.2
UK	(£)	1.6234	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	69.2
Ecu	-	1.1416	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
SDR†	-	0.72785	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9998	-	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.0582	+0.0001	581 - 583	1.0586	1.0581	-	-	-	-	-	-	-
Canada	(C$)	1.3875	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	84.3
Mexico	(New Peso)	7.8835	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	106.1
Pacific/Middle East/Africa													
Australia	(A$)	1.2800	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	99.9
Hong Kong	(HK$)	7.7493	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
India	(Rs)	35.8550	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Israel	(Shk)	3.3864	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-	-	-	-	-
Japan	(Y)	126.180	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	121.7
Malaysia	(M$)	2.5043	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
New Zealand	(NZ$)	1.4508	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Philippines	(Peso)	26.3700	-	500 - 900	[illegible]	[illegible]	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	+0.0001	504 - 507	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Singapore	(S$)	1.4410	-0.0004	405 - 415	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
South Africa	(R)	4.4255	-0.003	240 - 270	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
South Korea	(Won)	894.000	-	000 - 000	[illegible]	[illegible]	-	-	-	-	-	-	-
Taiwan	(T$)	27.5800	+0.03	600 - 000	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
Thailand	(Bt)	26.0850	+0.035	750 - 950	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-

† SDR rate per $ for Apr 7. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Apr 7: Base average 1990=100.
The exchange rates printed in this table are also available on the Internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

April 8	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	3½	3¼	3⅛	3$\frac{11}{32}$	3⅜	6.00	2.50	-
France	3¼	3¼	3¼	3¼	3¼	3.10	-	4.75
Germany	3⅛	3¼	3¼	3⅜	3¼	4.50	2.50	3.00
Ireland	5$\frac{11}{16}$	5⅝	5⅝	5¾	5$\frac{13}{16}$	-	-	6.25
Italy	7¼	7¼	7⅛	7⅛	7	8.25	6.75	7.34
Netherlands	3⅛	3⅛	3¼	3¼	3⅜	-	3.00	3.30
Switzerland	1¼	1⅝	1½	1½	1½	-	1.00	-
US	5¼	5$\frac{15}{32}$	5$\frac{19}{32}$	5$\frac{25}{32}$	6¼	-	5.00	-
Japan	½	½	$\frac{17}{32}$	⅝	$\frac{17}{32}$	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5$\frac{15}{32}$	5$\frac{19}{32}$	6	6⅜	-	-	-
US Dollar CDs	-	5.46	5.56	5.72	6.08	-	-	-
ECU Linked Ds	-	4⅛	4¼	4¼	4¼	-	-	-
SDR Linked Ds	-	3⅛	3⅜	3¼	3$\frac{13}{32}$	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Apr 8	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3¾ - 3⅛	3$\frac{11}{32}$ - 3¼	3$\frac{11}{32}$ - 3¼	3$\frac{7}{16}$ - 3$\frac{5}{16}$	3$\frac{7}{16}$ - 3$\frac{5}{16}$	3$\frac{9}{16}$ - 3$\frac{7}{16}$
Danish Krone	3½ - 3¼	3$\frac{15}{32}$ - 3$\frac{13}{32}$	3$\frac{11}{16}$ - 3$\frac{9}{16}$	3¾ - 3⅝	3⅞ - 3$\frac{23}{32}$	4$\frac{3}{16}$ - 3$\frac{15}{16}$
German Mark	3$\frac{3}{16}$ - 3$\frac{1}{16}$	3$\frac{3}{16}$ - 2$\frac{15}{16}$	3$\frac{3}{32}$ - 2$\frac{31}{32}$	3¼ - 3	3$\frac{3}{32}$ - 3	3$\frac{7}{16}$ - 3$\frac{5}{16}$
Dutch Guilder	3$\frac{1}{16}$ - 3	3$\frac{1}{16}$ - 3	3⅛ - 3$\frac{1}{32}$	3$\frac{5}{32}$ - 3$\frac{3}{32}$	3$\frac{5}{16}$ - 3$\frac{3}{16}$	3$\frac{7}{16}$ - 3$\frac{5}{16}$
French Franc	3$\frac{7}{32}$ - 3⅛	3$\frac{5}{16}$ - 3$\frac{3}{32}$	3$\frac{5}{16}$ - 3$\frac{7}{32}$	3⅜ - 3$\frac{9}{32}$	3$\frac{13}{32}$ - 3$\frac{5}{16}$	3$\frac{9}{16}$ - 3$\frac{7}{16}$
Portuguese Esc.	6¼ - 6$\frac{3}{32}$	6¼ - 6$\frac{3}{16}$	6¼ - 6$\frac{1}{16}$	6¼ - 6$\frac{3}{32}$	6⅛ - 6$\frac{3}{32}$	6$\frac{5}{32}$ - 6$\frac{1}{16}$
Spanish Peseta	5$\frac{13}{16}$ - 5$\frac{15}{32}$	5¾ - 5$\frac{15}{32}$	5$\frac{11}{16}$ - 5$\frac{19}{32}$	5$\frac{23}{32}$ - 5$\frac{19}{32}$	5$\frac{27}{32}$ - 5¾	5⅞ - 5¾
Sterling	6$\frac{1}{16}$ - 5$\frac{15}{16}$	6$\frac{1}{16}$ - 6	6⅛ - 6	6$\frac{7}{16}$ - 6⅜	6$\frac{11}{16}$ - 6⅝	7$\frac{1}{32}$ - 6$\frac{31}{32}$
Swiss Franc	2 - 1½	1$\frac{15}{16}$ - 1$\frac{13}{16}$	1$\frac{19}{32}$ - 1$\frac{15}{32}$	1⅝ - 1½	1⅝ - 1$\frac{17}{32}$	1$\frac{13}{16}$ - 1$\frac{23}{32}$
Canadian Dollar	3⅛ - 2$\frac{15}{16}$	3$\frac{1}{16}$ - 3$\frac{3}{16}$	3$\frac{3}{32}$ - 3$\frac{5}{16}$	3½ - 3$\frac{13}{32}$	3$\frac{27}{32}$ - 3$\frac{23}{32}$	4⅜ - 4¼
US Dollar	5⅝ - 5½	5$\frac{17}{32}$ - 5$\frac{13}{32}$	5⅝ - 5$\frac{17}{32}$	5$\frac{23}{32}$ - 5$\frac{19}{32}$	5$\frac{31}{32}$ - 5⅞	6$\frac{5}{16}$ - 6$\frac{3}{32}$
Italian Lira	7¾ - 6$\frac{27}{32}$	7⅜ - 7¼	7$\frac{5}{16}$ - 7$\frac{7}{32}$	7⅜ - 7$\frac{5}{16}$	7⅜ - 7$\frac{5}{16}$	7$\frac{5}{32}$ - 7$\frac{1}{16}$
Japanese Yen	$\frac{9}{16}$ - $\frac{7}{16}$	$\frac{19}{32}$ - $\frac{15}{32}$	⅝ - ½	⅝ - ½	½ - $\frac{13}{32}$	⅝ - $\frac{17}{32}$
Asian $Sing	3$\frac{1}{16}$ - 2$\frac{15}{16}$	3$\frac{1}{16}$ - 3$\frac{3}{16}$	4¼ - 3¾	3$\frac{5}{16}$ - 3$\frac{1}{16}$	3⅜ - 3¼	3½ - 3⅜

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.70	96.68	-0.01	96.71	96.67	14,075	59,212
Sep	96.61	96.60	-	96.62	96.58	9,322	49,090
Dec	96.51	96.48	+0.01	96.51	96.44	6,326	30,909

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.76	96.74	-0.02	96.77	96.74	18221	233463
Sep	96.70	96.68	-0.01	96.71	96.67	22146	185335
Dec	96.54	96.52	-0.01	96.54	96.50	19164	210664
Mar	96.38	96.35	-0.01	96.38	96.34	19217	157165

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Apr	96.78	96.78	-0.01	96.78	96.78	553	7224
May		96.78	-0.01			0	3926
Jun		96.78	-0.01			0	625
Jul		96.77	-0.01			0	0

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.17	93.03	-0.12	93.17	92.87	30194	111671
Sep	93.50	93.39	-0.10	93.50	93.32	18385	66410
Dec	93.62	93.49	-0.10	93.62	93.43	10599	40696
Mar	93.60	93.49	-0.10	93.60	93.42	3358	25533

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	98.15	98.07	-0.08	98.15	98.05	8110	45702
Sep	98.11	98.03	-0.09	98.11	98.02	5708	22602
Dec	97.95	97.87	-0.10	97.95	97.85	4360	14887
Mar	97.80	97.73	-0.10	97.80	97.75	1442	7393

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun		99.39	-0.01			0	na
Sep		99.28	-0.03			0	na
Dec	99.13	99.12	-0.04	99.13	99.13	30	na

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.86	95.86	-0.01	95.86	95.82	1124	9224
Sep	95.78	95.80	+0.01	95.80	95.76	261	4914
Dec	95.67	95.70	+0.01	95.70	95.67	275	5354
Mar	95.57	95.60	+0.02	95.60	95.56	335	3800

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Jun	Sep	Dec	PUTS Jun	Sep	Dec
9300	0.25	0.62	0.78	0.22	0.23	0.29
9325	0.14	0.45	0.91	0.36	0.31	0.37
9350	0.07	0.31	0.47	0.54	0.42	0.48

Est. vol. total, Calls 3080 Puts 1423. Previous day's open int., Calls 146834 Puts 81718

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Apr 8		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.45	16.30	4.843	1.826	4780	5.448	19.65	486.0	409.1	21.70	4.161	1.744	3.927	2.830	357.2	2.480
Denmark	(DKr)	54.20	10	8.835	2.625	0.990	2591	2.953	10.65	263.4	221.7	11.76	2.255	0.945	2.129	1.534	193.6	1.344
France	(FFr)	61.35	11.32	10	2.971	1.120	2932	3.342	12.06	298.2	251.0	13.31	2.553	1.070	2.409	1.736	219.1	1.521
Germany	(DM)	20.65	3.810	3.366	1	0.377	987.0	1.125	4.058	100.4	84.48	4.480	0.859	0.360	0.811	0.584	73.75	0.512
Ireland	(I£)	54.77	10.11	8.927	2.652	1	2618	2.984	10.76	266.2	224.1	11.88	2.279	0.955	2.151	1.550	195.6	1.358
Italy	(L)	2.092	0.386	0.341	0.101	0.038	100.	0.114	0.411	10.17	8.559	0.454	0.087	0.036	0.082	0.059	7.472	0.052
Netherlands	(Fl)	18.35	3.387	2.992	0.889	0.335	877.4	1	3.608	89.21	75.10	3.982	0.764	0.320	0.721	0.520	65.56	0.455
Norway	(NKr)	50.88	9.388	8.294	2.464	0.929	2432	2.772	10	247.3	208.2	11.04	2.117	0.887	1.998	1.440	181.7	1.262
Portugal	(Es)	20.57	3.796	3.354	0.996	0.378	983.5	1.121	4.044	100.	84.18	4.464	0.856	0.359	0.808	0.582	73.48	0.510
Spain	(Pta)	24.44	4.510	3.984	1.184	0.446	1168	1.332	4.804	118.8	100.	5.303	1.017	0.426	0.960	0.692	87.30	0.606
Sweden	(SKr)	46.09	8.505	7.514	2.232	0.842	2203	2.511	9.059	224.0	188.6	10	1.918	0.804	1.810	1.305	164.8	1.143
Switzerland	(SFr)	24.03	4.434	3.917	1.164	0.439	1149	1.309	4.723	116.8	98.32	5.214	1	0.418	0.944	0.680	85.83	0.596
UK	(£)	57.34	10.58	9.347	2.777	1.047	2741	3.124	11.27	278.7	234.8	12.44	2.386	1	2.252	1.623	204.8	1.422
Canada	(C$)	25.46	4.698	4.151	1.233	0.465	1217	1.387	5.004	123.8	104.2	5.524	1.060	0.444	1	0.721	90.94	0.631
US	($)	35.33	6.518	5.759	1.711	0.645	1689	1.925	6.944	171.7	144.5	7.665	1.470	0.616	1.388	1	126.2	0.878
Japan	(Y)	28.00	5.166	4.564	1.356	0.511	1338	1.525	5.503	136.1	114.8	6.074	1.165	0.488	1.100	0.792	100.	0.694
Ecu		40.32	7.440	6.573	1.953	0.736	1928	2.197	7.925	196.0	165.0	8.748	1.678	0.703	1.584	1.141	144.0	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lire and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.5873	0.5876	-	0.5873	0.5848	57,766	76,629
Sep	0.5898	0.5913	-	0.5905	0.5887	98	2,537
Dec	-	0.6075	-	-	0.5945	5	207

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.8046	0.8047	-0.0082	0.8056	0.7981	29,786	75,084
Sep	0.8160	0.8156	-0.0086	0.8160	0.8098	459	1,189
Dec	-	0.8271	-0.0089	-	-	89	547

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.6863	0.6864	-0.0121	0.6866	0.6816	23,501	41,811
Sep	0.6895	0.6932	-0.0124	0.6906	0.6892	177	2,093
Dec	0.6980	0.7192	+0.0069	0.6985	0.6980	13	431

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.6264	1.6270	-0.0058	1.6272	1.6180	9,593	36,106
Sep	1.6206	1.6320	-0.0096	1.6206	1.6150	24	834
Dec	-	1.6360	-	-	1.6130	11	101

UK INTEREST RATES

LONDON MONEY RATES

Apr 8	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6⅛ - 5½	6⅛ - 5⅞	6$\frac{3}{16}$ - 6$\frac{1}{32}$	6½ - 6⅜	6¾ - 6⅝	7⅛ - 6$\frac{15}{16}$
Sterling CDs	-	-	6⅛ - 6$\frac{1}{16}$	6⅜ - 6$\frac{5}{16}$	6$\frac{11}{16}$ - 6$\frac{11}{16}$	6$\frac{15}{16}$ - 6⅞
Treasury Bills	-	-	6$\frac{1}{32}$ - 5$\frac{31}{32}$	6$\frac{5}{16}$ - 6$\frac{7}{32}$	-	-
Bank Bills	-	-	6$\frac{1}{32}$ - 5$\frac{31}{32}$	6¼ - 6$\frac{1}{16}$	6$\frac{9}{16}$ - 6$\frac{7}{16}$	-
Local authority deps.	5⅞ - 5¼	5⅞ - 5¾	6 - 5⅞	6¼ - 6⅛	6½ - 6⅜	6⅞ - 6¾
Discount Market deps	6⅛ - 5$\frac{13}{16}$	6 - 5⅞	-	-	-	-

UK clearing bank base lending rate 6 per cent from October 30, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.
Ave. tender rate of discount on Apr 4, 6.0914pc. ECGD fixed rate Stg. Export Finance. Make up day Mar 27, 1997. Agreed rate for period Apr 22, 1997 to May 26, 1997, Scheme III 7.53pc. Reference rate for period Mar 1, 1997 to Mar 27, 1997, Schemes IV & V 6.262pc. Finance House Base Rate 6½pc from Apr 1, 1997

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.28	93.33	+0.03	93.36	93.28	24861	125485
Sep	92.98	93.04	+0.06	93.05	92.95	24216	91971
Dec	92.78	92.80	+0.04	92.81	92.71	20871	73072
Mar	92.59	92.65	+0.05	92.68	92.56	7589	47951
Jun	92.48	92.54	+0.04	92.57	92.45	4842	39650

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	Sep	Dec	PUTS Jun	Sep	Dec
9325	0.17	0.11	0.11	0.09	0.32	0.56
9350	0.05	0.04	0.06	0.22	0.50	0.79
9375	0.01	0.02	0.03	0.43	0.73	0.98

Est. vol. total, Calls 6855 Puts 3630. Previous day's open int., Calls 158260 Puts 161046

EMS EUROPEAN CURRENCY UNIT RATES

Apr 8	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.798709	0.738181	-0.000381	-7.58	10.42	51
Portugal	197.398	196.507	-0.038	-0.45	2.51	3
Finland	5.85424	5.84209	-0.0094	-0.21	2.28	1
Spain	163.826	165.443	+0.03	0.99	1.05	-7
Italy	1906.48	1934.15	+5.34	1.45	0.58	-11
Netherlands	2.18979	2.20271	-0.00023	1.52	0.52	-11
Denmark	7.34555	7.46213	+0.00343	1.59	0.45	-11
Germany	1.92573	1.95879	+0.00062	1.72	0.33	-17
Belgium	39.7191	40.4125	+0.011	1.75	0.30	-13
Austria	13.5485	13.7875	+0.0064	1.76	0.28	-13
France	6.45863	6.59096	+0.00057	2.05	0.00	-17
NON ERM MEMBERS						
Greece	295.269	308.448	-1.01	4.48	-2.31	-
UK	0.793103	0.704801	-0.002144	-11.13	14.83	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Apr	May	Jun	PUTS Apr	May	Jun
1.630	0.42	1.53	2.12	0.61	1.79	2.46
1.640	0.13	1.11	1.69	1.36	2.38	2.97
1.650	0.05	0.79	1.33	2.18	2.99	-

Previous day's vol., Calls 29 Puts 10. Prev. day's open int., Calls 31,381 Puts 33,731

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Apr	May	Jun	PUTS Apr	May	Jun
0.595	0.06	0.40	0.63	1.00	1.26	1.40
0.600	0.01	0.27	0.50	1.47	1.62	1.77
0.605	-	0.16	0.35	1.96	-	2.11

Previous day's vol., Calls 674 Puts 2,310. Prev. day's open int., Calls 30,256 Puts 40,841

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.03	94.03	-0.09	94.05	94.03	49,913	508,757
Sep	93.73	93.72	-	93.73	93.71	51,014	392,214
Dec	93.43	93.42	-0.30	93.44	93.42	42,223	291,096

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.63	94.61	-	94.63	94.61	509	6,899
Sep	94.32	94.30	-	94.32	94.28	188	3,390
Dec	-	94.50	-	-	-	-	-

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Apr	May	Jun	Sep	PUTS Apr	May	Jun	Sep
9650	0.24	0.24	0.25	0.22	0	0	0.01	0.04
9675	0.01	0.02	0.04	0.06	0.02	0.03	0.05	0.13
9700	0	0	0.01	0.01	0.26	0.26	0.27	0.33

Est. vol. total, Calls 7444 Puts 12797. Previous day's open int., Calls 436488 Puts 237675

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Jun	Sep	Dec	PUTS Jun	Sep	Dec
9825	0.06	0.09	0.13	0.23	0.31	0.51
9850	0.02	0.03	0.06	0.45	0.50	0.69

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 1025 Puts 1460

BASE LENDING RATES

	%		%		%
Adam & Company	6.00	Duncan Lawrie	6.00	Royal Bk of Scotland	6.00
Allied Irish Bank (GB)	6.00	Exeter Bank Limited	7.00	●Singer & Friedlander	6.00
●Henry Ansbacher	6.00	Financial & Gen Bank	7.00	●Smith & Williamson Secs	6.00
Bank of Baroda	6.00	●Robert Fleming & Co	6.00	Scottish Widows Bank	6.00
Banco Bilbao Vizcaya	6.00	●Guinness Mahon	6.00	TSB	6.00
Bank of Cyprus	6.00	Habib Bank AG Zurich	6.00	United Bank of Kuwait	6.00
Bank of Ireland	6.00	●Hambros Bank	6.00	Unity Trust Bank Plc	6.00
Bank of India	6.00	Heritable & Gen Inv Bk	6.00	Western Trust	6.00
Bank of Scotland	6.00	●Hill Samuel	6.0	Whiteaway Laidlaw	6.00
Barclays Bank	6.00	C. Hoare & Co	6.00	Yorkshire Bank	6.00
Brit Bk of Mid East	6.00	Hongkong & Shanghai	6.00		
●Brown Shipley & Co Ltd	6.00	Investec Bank (UK) Ltd	6.00	● Members of London Investment Banking Association	
Citibank NA	6.00	Julian Hodge Bank	6.00	* In administration	
Clydesdale Bank	6.00	●Leopold Joseph & Sons	6.00		
The Co-operative Bank	6.00	Lloyds Bank	6.00		
Coutts & Co	6.00	Midland Bank	6.00		
Cyprus Popular Bank	6.00	NatWestminster	6.00		
		●Rea Brothers	6.00		

The Financial Times plans to publish a Survey on

Film Finance

on Wednesday, May 7

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or your usual Financial Times representative

FT Surveys

SINO LAND COMPANY LIMITED
(a company incorporated in Hong Kong with limited liability)
US$200,000,000 5% Convertible Bonds due 2000
("Bonds")

NOTICE TO BONDHOLDERS

The Directors of Sino Land Company Limited ("the Company") on 26 March, 1997 declared an interim dividend of HK$0.10 per share for the year ending 30 June, 1997 to shareholders whose names appear on the register of members on 25 April, 1997. This interim dividend is payable on 28 May, 1997.

The register of members of the Company will be closed from 18 April, 1997 to 25 April, 1997 (both dates inclusive). Registered holders of existing Bonds who wish to exercise their conversion rights attaching to their Bonds so as to be entitled to the said interim dividend should lodge the properly completed and signed conversion forms together with the Bond Certificates with their Agent so as to reach the Company before 4.00pm (Hong Kong time) on 25 April, 1997.

By Order of the Board
Eric Ip Sai Kwong
Secretary
Hong Kong

9 April, 1997
By: Citibank, N.A. (Corporate Agency & Trust), Agent Bank CITIBANK

COMPAGNIE DE SAINT-GOBAIN

Public Company, with a capital of F 8,664,221,600
Registered Office: "Les Miroirs"
18, Avenue d'Alsace 92400 COURBEVOIE
R.C.S: NANTERRE B 542 039 532
PARTICIPATING STOCK APRIL 1984 OF ECU 1,000 EACH
GENERAL MEETING TO BE HELD ON 25 APRIL 1997

AGENDA

The owners of participating stock APRIL 1984 of ECU 1000 of COMPAGNIE DE SAINT-GOBAIN are informed that the General Meeting will be held on 25 April 1997 at 11am at the registered office, to COURBEVOIE (92400) "Les Miroirs", 18, Avenue d'Alsace Bat B room B2822. This meeting will consider the following agenda:

- BOARD OF DIRECTORS' REPORT ON THE COMPANY'S OPERATIONS FOR FINANCIAL YEAR 1996
- AUDITOR'S REPORT ON FINANCIAL YEAR 1996
- ACCOUNTS AND ELEMENTS FOR FIXING THE PARTICIPATING STOCK YIELD
- FIXING THE INCOME OF THE MASS ENTITLED REPRESENTATIVES
- POWERS FOR FORMALITIES

To attend the meeting the participating stock owner will have to provide a blocking affidavit issued by the trustee and in order to appoint a deputy at the meeting they will have to add a proxy to this affidavit.

The Board of Directors.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

½ hour period ending	Provisional Prices for Trading on 08.04.97: Pool purchase price £/MWh	Final Prices for Trading on 12.03.97: Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.45	16.39	18.02
0100	11.61	18.68	20.29
0130	18.45	51.38	53.00
0200	18.45	51.38	53.00
0230	18.45	18.66	20.29
0300	[illegible]	[illegible]	[illegible]

Prices are determined for every half-hour in each trading-day four hours. [illegible]

THE REPUBLIC OF MAURITIUS
US$150,000,000
Floating Rate Notes due 2000
In accordance with the provisions of the Notes, notice is hereby given that for the interest period 9 April 1997 to 9 July 1997, the Notes will carry an interest rate of [illegible] per annum and the interest payable on the relevant interest payment date 9 July 1997 will be [illegible] per US$10,000 note.
Agent Bank
Midland Bank plc

COMMODITIES AND AGRICULTURE

Court ruling hits Russian gold project

By Nikki Tait in Sydney and Chrystia Freeland in Moscow

Plans for the $1bn development of Sukhoi Log, thought to be Russia's biggest gold deposit, have been thrown into confusion by a court ruling.

Russia's Supreme Arbitration Court maintained that the 1992 privatisation of the company working the deposit, Lenzoloto, was invalid.

The news was a surprise to Star Mining, the small Australian-listed mining company which has a 34.9 per cent stake in Sukhoi Log. Its shares were suspended on Monday after Star said the implications were still unclear.

Star had hoped to bring Sukhoi Log, which has resources of 31m troy ounces, into production with the help of JCI, the South African mining group.

The Australian group's association with the project began in 1992, and two years later the company announced that Lenzoloto's ownership of mining tenements, including the Sukhoi Log deposit, had been confirmed by prime ministerial decree.

However, Star said yesterday that the Supreme Arbitration Court's decision had resulted from an appeal by the procurator-general, and reversed an earlier decision made 14 months ago by the same court.

According to Russian newspaper reports, the court ruled to dissolve Lenzoloto because the manner in which the company was privatised violated Russian law. The court said the biggest violation was the failure to give 51 per cent of the shares to the workers at privileged prices – standard procedure during privatisation. The judges also ruled that Star acquired a significant stake in the company in an opaque manner which violated Russian rules. The stake should have been auctioned or sold through public tender, they said.

Star said that "strenuous efforts by the company's legal advisers" to clarify reasons for the court's change of heart had been unsuccessful. However, Mr Jon Kelly, an Australian-based director, said all developments were on hold and that the chairman of Lenzoloto had indicated the court's decision meant that the company's finances had been frozen.

Star recently announced plans to participate in a restructuring of Lenzoloto. This would have seen Lenzoloto move the mining licences for the Sukhoi Log deposit to a new company, Sukhoi Log Mining Company, in which it would have held a 51 per cent interest. Star would tender for a 49 per cent interest, at at cost of US$50m, and have responsibility for arranging finance for the project of at least US$700m.

The court's ruling could have broader implications for other privatised companies in Russia, particularly those in which foreign companies own significant equity. Few Russian privatisations followed the exact rules, which could make thousands of enterprises vulnerable to legal challenges.

The decision also leaves the State Property Fund, the agency responsible for privatisation, with the responsibility of compensating Star for its lost investment.

Government officials told reporters they did not know where they would be able to find the money to repay Star.

Conflict in Zaire raises price of cobalt

By Kenneth Gooding, Mining Correspondent

Cobalt prices in the free market have gained $5 a pound, or about 25 per cent, to reach $24 for high grade material in the past month as traders emphasised problems that might emerge from the conflict in Zaire.

However, analysts suggest that there will be no shortage of the material, which is mainly used in the super-alloys from which turbines are made and in rechargeable batteries for portable electronic equipment.

Mr Alan Williamson, analyst at Deutsche Morgan Grenfell, pointed out yesterday that Zaire's cobalt mines had been working more or less normally, in spite of further advances by rebel troops, and he expected no production problems in the country.

He suggested there was likely to be a global cobalt supply surplus of about 600 tonnes this year, following a surplus of some 2,000 tonnes last year.

"We expect the price for high grade cobalt to be below $20 [a pound] this summer," he added.

Zaire produces about 5,000 tonnes of cobalt a year or roughly one fifth of world supply.

While new life has been injected into the cobalt market by demand for high density, rechargeable batteries, which are used for such equipment as portable telephones and laptop computers, analysts say there is also a great deal of new supply to come into production, often as a by-product from new nickel mines.

Mr Peter Searle of the Resource Strategies consultancy, says: "Whether Zaire develops its proposed projects or not, there is likely to be plenty of cobalt after 2000. There should also be more than enough for the next three or four years from existing and committed supply sources if Gécamines [the state producer in Zaire] continues production. If it does not, the market will move much closer to balance once again."

In a paper prepared for the Cobalt Development Institute's forthcoming conference, Mr Searle says: "If all the projects that we think are possible materialise, there is likely to be a surplus of cobalt shortly after 2000 ... and a price of $6 a pound or even lower is possible." This compares with an average long-term price from 1973 – excluding a spike in 1978 – of $11.

Rain lifts cost of Alumbrera

By Nikki Tait

Torrential rain has pushed up the cost of the large Alumbrera copper-gold mining project in Argentina to between $1.05bn and $1.1bn, an increase of 20 per cent on previous estimates. Previous forecasts, made in July last year, put the cost at $903m.

However, Australia's MIM Holdings, which holds a 50 per cent interest in the project and is the operator, confirmed that it was still expecting basic operations to start in the third quarter of the current year, "ahead of the original October contract schedule". The first concentrate shipment is expected in the fourth quarter.

MIM said the summer rains, the second heaviest on record, had hampered the building of the pipeline through which the concentrate will flow.

"Flash-flooding has exposed lengths of the pipeline in some places and restricted access for remedial work," it explained. Up to $70m of extra costs may be incurred to guard against a similar situation once the pipeline is in use and parts may be re-routed.

Alumbrera takes in five separate projects. Apart from the mine in Catmarca province, there is a processing plant and rail loading facility near Tucuman; a port facility near Rosario; a 190km power line; and the 240km pipeline to the processing plant.

The other investors in Alumbrera are Canada's Rio Algom and Australia's North group – both with 25 per cent.

The mine is expected to produce around 180,000 tonnes of copper a year, and 640,000 ounces of gold over a 20-year life. It will be one of the world's 10 largest copper mines and the biggest gold producer in South America.

Kenneth Gooding

Flooding has hampered building of the concentrate pipeline

Cocoa suffers further dip

MARKETS REPORT

By Gary Mead and Kenneth Gooding

The commodity worst hit in Monday's across-the-board price falls, cocoa, dipped further on the London International Financial Futures Exchange yesterday, with light trading seeing the May future close at £972 a tonne, £22 down from Monday's close of £994. Cocoa reached a low of £970 earlier in the day.

In New York, mid-day dealing on the Coffee, Sugar and Cocoa Exchange saw the same cautious mood prevail, with the May future down $10 a tonne to $1,388 and July $7 lower at $1,429.

Heavy selling of cocoa by investment funds on Monday in both London and New York – the CSCE reported yesterday that Monday saw a daily record of 30,678 lots traded – left both markets in a relatively subdued mood. Expected heavy sales failed to materialise, and specialists attributed what activity there was to bargain-hunters.

Coffee had an equally quiet day in London, with the robusta May future slipping just $5 on the day, to $1,570 a tonne, after having traded between $1,567 and $1,581.

On the International Petroleum Exchange, Brent oil futures for May broke through $18 a barrel soon after Nymex opened for business in the US, reaching $18.03 in London by late afternoon.

Later trading saw the London price retreat to $17.88, with traders expecting further declines later, depending on current stock figures due to be released by the American Petroleum Institute after close of business in the UK.

London Metal Exchange prices stabilised after the recent investment fund selling dried up, But the markets remained nervous as many traders expected the funds would return with sell orders in the next few days. Nevertheless, analysts remained upbeat.

Macquarie Bank said: "All the indicators point to a continuing sustainable recovery in demand, offering the prospect of further price improvements in zinc, nickel and aluminium later in the year."

LME WAREHOUSE STOCKS (As at Thursday's close) tonnes

Aluminium	+2,675	to 844,575
Aluminium alloy	-200	to 71,840
Copper	+8,475	to 167,125
Lead	+1,025	to 107,875
Nickel	+120	to 44,565
Zinc	+1,425	to 445,225
Tin	-30	to 10,085

Fall forecast in Indian jute crop

By Kunal Bose in Calcutta

India, the world's largest producer of jute, will see its crop fall by 10-15 per cent during the 1997-98 season (July to June) compared with a bumper harvest of nearly 10m bales in the current season.

The Indian Jute Mills Association said the "initial crop estimate for the next season is not causing the industry any concern since the opening stocks will be a very comfortable 2m bales. Moreover, there are now no restrictions on the import of jute from Bangladesh, which always has a large export surplus."

However the fall in the price of TD-5, the Indian benchmark variety of jute, below Rs1,000 a quintal may dissuade many growers from committing all their land to jute in the next season.

"In the low-lying areas of Assam and West Bengal, the farmers have no option but to grow jute. But in the other areas, there will be some transfer of land to paddy, oilseeds and vegetables," said Mr Shankar Ladia, spokesman for the Jute Balers Association.

Bangladesh expects to harvest another bumper crop of around 5m bales in 1997-98. According to trade officials, Bangladesh will raise exports to nearly 1.5m bales in 1996-97 from 1.194m bales in the previous season.

China has emerged as the single largest market for jute from Bangladesh. There is also increased demand from the US and Europe.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1547.5-48.5	1582-83
Previous	1550-1	1585-6
High/low	1548	1588/1575
AM Official	1546-47	1578-79
Kerb close		1582.5-83.0
Open int.	272,871	
Total daily turnover	86,329	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1440-45	1470-74
Previous	1455-60	1485-90
High/low		1477/1470
AM Official	1442-44	1472-74
Kerb close		1470-74
Open int.	5,796	
Total daily turnover	1,880	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	648.5-49.5	650.5-51.5
Previous	648-9	649-50
High/low	652/651.5	660/649
AM Official	651.5-52.0	653-54
Kerb close		653-54
Open int.	40,009	
Total daily turnover	14,620	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7195-205	7310-15
Previous	7175-85	7290-95
High/low	7210	7350/7280
AM Official	7200-10	7309-10
Kerb close		7300-310
Open int.	51,363	
Total daily turnover	22,410	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5710-20	5745-50
Previous	5690-95	5730-31
High/low		5760/5710
AM Official	5695-700	5730-35
Kerb close		5735-40
Open int.	16,922	
Total daily turnover	8,701	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1232-33	1256.5-57.5
Previous	1127.5-8.5	1253-4
High/low	1228	1260/1243
AM Official	1228-29	1252.5-53.0
Kerb close		1258-59
Open int.	88,355	
Total daily turnover	37,272	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2336-39	2293-94
Previous	2321-4	2283-4
High/low	2328/2325	2294/2276
AM Official	2326-27	2288-89
Kerb close		2293-94
Open int.	137,680	
Total daily turnover	54,082	

■ LME AM Official £/$ rate: 1.6199
LME Closing £/$ rate: 1.6233

Spot: 1.6235 3 mths: 1.6212 6 mths: 1.6181 9 mths: 1.6153

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	108.45	+1.95	108.50	107.00	300	3,250
May	106.90	+2.15	106.90	104.75	9,044	21,223
Jun	105.95	+2.05	105.90	104.70	94	1,531
Jul	104.95	+1.80	104.90	103.50	1,652	8,736
Aug	104.20	+1.95	103.70	103.50	13	758
Sep	103.05	+1.70	102.90	101.80	239	4,287
Total					11,779	50,774

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	348.30-348.80		
Opening	348.40-348.70		
Morning fix	349.10	215.294	515.795
Afternoon fix	349.10	214.819	514.098
Day's High	349.50-349.80		
Day's Low	347.90-348.20		
Previous close	348.50-349.00		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....4.58 6 months 4.55
2 months ....4.56 12 months 4.55
3 months 4.57

Silver Fix	p/troy oz.	US cts equiv.
Spot	297.95	483.25
3 months	302.15	489.35
6 months	306.75	495.90
1 year	315.15	509.50

Gold Coins	$ price	£ equiv.
Krugerrand	349-51	215-219
Maple Leaf	-	-
New Sovereign	82-85	50-52

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	348.6	+0.2	349.5	348.2	283	736
May	349.8	+0.1	-	-	-	-
Jun	351.2	+0.1	352.3	350.8	19,648	93,383
Aug	353.9	+0.1	354.6	353.5	106	13,356
Oct	356.6	+0.1	357.4	357.0	30	5,624
Dec	359.4	-	360.4	359.4	85	21,812
Total					20,153	147,494

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	365.2	+0.8	365.0	364.0	6	70
Jul	369.3	+0.8	371.0	368.2	2,984	13,486
Oct	371.8	+0.8	372.0	371.0	98	2,218
Jan	374.0	+0.8	374.0	374.0	17	1,152
Total					3,080	16,933

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	153.80	+1.35	157.50	153.50	850	7,303
Sep	153.80	+0.35	156.00	154.50	1	1,602
Dec	154.60	+0.15	156.00	156.00	-	191
Total					851	9,462

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	476.4	-0.9	-	-	4	2
May	475.0	-1.0	482.5	475.0	97,572	55,720
Jul	482.9	-1.0	487.5	480.0	1,922	24,668
Sep	487.7	-1.0	490.5	486.0	34	3,872
Dec	495.1	-1.0	499.5	493.0	229	5,459
Jan	497.7	-1.0	499.5	498.5	2	19
Total					12,047	98,446

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
May	19.37	+0.14	19.50	19.20	49,838	82,224
Jun	19.45	+0.12	19.57	19.28	27,174	67,625
Jul	19.50	+0.13	19.57	19.42	7,988	35,857
Aug	19.56	+0.16	19.59	19.46	2,834	24,823
Sep	19.60	+0.15	19.62	19.53	905	16,822
Oct	19.60	+0.13	19.62	19.57	831	15,578
Total					92,382	411,136

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
May	19.02	+0.26	19.06	17.60	8,739	44,216
Jun	18.27	+0.30	18.28	18.05	9,511	56,336
Jul	18.40	+0.28	18.40	18.20	1,599	21,755
Aug	18.48	+0.23	18.48	18.21	1,238	10,219
Sep	18.49	+0.10	18.50	18.40	142	7,341
Oct	18.46	+0.12	18.50	18.45	282	6,429
Total					25,742	176,298

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
May	53.20	+0.07	53.65	52.95	15,711	35,635
Jun	52.80	+0.22	53.10	52.65	6,448	23,276
Jul	53.00	+0.12	53.25	53.00	1,973	18,385
Aug	53.70	+0.22	53.85	53.60	1,219	10,154
Sep	54.60	+0.32	54.60	54.40	1,009	5,998
Oct	55.35	+0.27	55.40	55.30	2,621	7,715
Total					29,372	135,385

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	162.75	+0.75	163.50	161.25	6,384	15,645
May	164.00	+0.75	164.75	162.25	5,979	16,590
Jun	165.25	-	166.00	164.00	2,009	9,996
Jul	167.00	-	167.50	166.25	930	5,836
Aug	169.00	-	169.25	168.00	1,239	3,420
Sep	170.75	-0.25	171.25	170.00	1,207	1,816
Total					19,378	65,885

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Vol	Open int
May	1.930	-0.019	1.975	1.920	14,719	32,576
Jun	1.985	-0.024	2.030	1.975	4,936	17,492
Jul	2.010	-0.011	2.045	2.000	1,898	14,005
Aug	2.020	-0.002	2.045	2.020	987	10,152
Sep	2.025	-	2.050	2.025	528	10,401
Oct	2.045	-0.010	2.070	2.040	669	11,443
Total					28,764	172,629

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
May	61.40	+0.88	61.85	60.50	14,788	42,238
Jun	60.85	+0.54	61.25	60.10	7,986	27,677
Jul	60.10	+0.59	60.20	59.45	2,261	10,898
Aug	59.05	+0.64	59.05	58.60	829	5,134
Sep	57.70	+0.49	57.70	57.50	62	2,590
Oct	55.75	-	56.25	56.25	162	1,596
Total					25,820	89,809

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	97.60	+1.65	97.90	96.75	269	2,569
Jul	100.75	+1.75	100.80	100.00	145	1,250
Sep	97.50	+1.75	-	-	-	46
Nov	99.50	+1.75	99.75	98.75	363	2,228
Jan	101.00	+1.25	101.00	101.00	50	758
Mar	103.50	+1.75	103.50	103.00	2	295
Total					830	7,221

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
May	382.00	+1.5	388.00	381.00	5,893	20,625
Jul	386.00	+2.75	388.50	381.00	14,001	45,867
Sep	389.75	+3.5	392.00	385.50	1,110	8,185
Dec	398.50	+3.5	401.50	395.50	357	6,975
Mar	401.00	+2.5	401.00	398.00	11	308
Jul	374.00	+4	370.00	370.00	5	189
Total					21,375	82,156

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
May	299.50	-1.25	302.50	299.00	35,467	122,717
Jul	302.50	-0.5	305.25	302.00	19,896	117,618
Sep	291.25	+0.25	293.50	290.75	1,161	19,603
Dec	289.75	-	292.50	288.50	8,760	94,773
Mar	293.50	+0.25	296.00	293.00	339	9,051
May	297.00	-	298.00	297.00	20	557
Total					66,171	368,704

■ BARLEY LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	92.50	+1.50	-	-	-	128
Sep	94.25	+1.75	-	-	-	31
Nov	96.25	+1.75	96.50	96.00	23	701
Jan	98.25	+1.75	-	-	-	38
Mar	100.25	+1.75	-	-	-	-
May	102.25	+1.75	-	-	-	-
Total					23	898

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
May	849.25	-13.5	864.75	846.00	22,320	66,369
Jul	853.50	-14	868.50	852.00	28,378	70,375
Aug	838.25	-10.75	851.50	837.00	2,462	10,891
Sep	791.25	-8	791.00	748.50	525	6,502
Nov	698.25	-5.75	706.75	698.00	8,825	37,882
Jan	704.50	-6	710.00	704.00	125	2,198
Total					72,634	195,444

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
May	24.00	-0.16	24.19	23.98	6,090	36,001
Jul	24.35	-0.23	24.59	24.32	3,620	33,655
Aug	24.55	-0.2	24.76	24.55	237	7,632
Sep	24.67	-0.18	24.86	24.75	44	4,889
Oct	24.75	-0.2	24.95	24.81	14	4,969
Dec	24.96	-0.22	25.20	24.95	40	14,218
Total					10,641	102,223

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
May	282.8	-4.6	287.9	282.5	12,575	43,476
Jul	280.0	-4.5	285.3	279.8	6,625	31,321
Aug	270.5	-2.1	274.0	270.2	1,105	9,297
Sep	252.4	-2.4	256.0	252.6	989	6,340
Oct	236.2	-0.5	230.0	228.2	391	6,158
Dec	220.7	-0.8	222.8	220.5	1,370	12,392
Total					22,877	110,722

■ POTATOES LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	42.0	+2.5	40.0	38.0	27	432
Mar	64.0	+1.5	-	-	-	-
Apr	72.0	+1.0	72.0	72.0	1	17
Mar	80.0	+1.0	-	-	-	-
Apr	137.5	-2.5	140.0	137.0	55	771
Total					83	1,188

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	1485	-10	1485	1475	34	973
May	1496	+1	1495	1480	49	716
Jul	1280	-	1290	1280	11	798
Oct	1370	+5	-	-	-	321
Jan	1415	+5	-	1460	-	46
Apr	1415	+5	-	-	-	..
Total					99	2,873

	Close	Prev
BFI	1490	1459

FUTURES DATA
All futures data supplied by CMS.

Minor metals
European free market, from Metal Bulletin, $ per lb in warehouse, unless otherwise stated (last week's in brackets, where changed). Antimony: 99.65%, $ per tonne, 2,325-2,425 (2,125-2,235). Bismuth: min. 99.99%, tonne lots 2.90-3.15. Cadmium: min. 99.95%, cents a pound, 55.00-85.00. Cobalt: MB free market, min. 99.8%, 21.85-22.65 (20.25-21.50); min. 99.3%, 19.75-20.45 (19.25-19.85). Mercury: min. 99.99%, $ per 76 lb flask, 159-171 (161-171). Molybdenum: drummed molybdic oxide, 4.60-4.70 (4.45-4.60). Selenium: min 99.5%, 2.35-3.10. Tungsten ore: standard min. 65%, $ per tonne unit (10kg) WO_3, cif, 45-55. Vanadium: min. 98%, cif, 3.85-4.00 (3.90-4.05). Uranium: Nuexco unrestricted exchange value, 12.25.

SOFTS

■ COCOA LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	972	-20	996	970	4,742	26,522
Jul	987	-21	1013	985	3,285	18,132
Sep	1000	-17	1023	996	1,265	11,806
Dec	1000	-12	1010	997	1,252	25,947
Mar	1014	-9	1024	1008	1,855	25,840
May	1025	-9	1051	1024	321	16,421
Total					13,094	137,299

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
May	1400	+2	1403	1377	18,719	21,348
Jul	1440	+4	1444	1418	9,437	25,206
Sep	1464	+9	1456	1443	710	12,110
Dec	1485	+3	1486	1466	425	12,124
Mar	1505	+7	1494	1488	1,293	19,178
May	1525	+12	1511	1505	26	7,330
Total					30,678	98,628

■ COCOA (ICCO) (SDR's/tonne)

Apr 7	Price	Prev. day
Daily	1119.94	1171.34 1

■ COFFEE LIFFE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	1570	-6	1581	1567	938	19,153
Jul	1577	-8	1590	1576	1,236	13,621
Sep	1589	-11	1600	1591	122	8,248
Nov	1584	-11	1586	1578	98	3,183
Jan	1564	-11	1560	1560	10	1,139
Mar	1549	-11	-	-	-	88
Total					2,403	46,432

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	178.75	-0.65	180.80	176.00	3,950	12,005
Jul	164.60	-0.55	166.50	162.50	1,819	10,169
Sep	152.75	-0.25	153.25	152.00	391	6,402
Dec	140.50	-1.40	142.00	140.00	211	3,660
Mar	132.00	+0.75	132.40	132.00	71	1,029
May	125.25	-1.90	127.00	126.00	12	243
Total					6,444	33,628

■ COFFEE (ICO) (US cents/pound)

Apr 7		Prev. day
Comp. daily	132.00	131.32
15 day average	133.23	133.66

■ WHITE SUGAR LIFFE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	310.6	+0.6	311.0	309.8	2,160	10,882
Aug	307.7	-0.1	308.3	307.3	1,140	7,648
Oct	303.9	+0.3	304.0	303.8	272	3,527
Dec	302.4	+0.6	302.5	302.5	17	946
Mar	302.1	+0.8	302.6	301.3	15	499
Total					3,604	23,603

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	11.04	+0.04	11.06	11.00	6,327	60,327
Jul	10.80	+0.04	10.84	10.75	1,885	38,524
Oct	10.62	+0.02	10.63	10.59	1,175	30,367
Mar	10.61	+0.01	10.63	10.59	831	16,748
May	10.56	+0.01	10.57	10.55	70	3,240
Jul	10.54	+0.01	10.52	10.52	77	1,581
Total					10,383	151,224

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	72.25	-0.64	72.92	71.90	6,258	31,413
Jul	73.98	-0.62	74.57	73.62	2,334	19,523
Oct	75.25	-0.30	75.60	75.00	159	1,931
Dec	76.27	-0.15	76.45	76.00	1,577	22,233
Mar	77.35	-0.20	77.40	77.15	117	2,425
May	78.00	-0.20	77.90	77.90	5	564
Total					10,483	78,981

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	72.00	-2.10	76.00	72.60	1,162	12,498
Jul	75.85	-2.25	78.85	75.70	629	6,147
Sep	79.00	-2.00	81.75	79.00	171	4,469
Nov	81.90	-1.65	83.50	81.90	12	1,958
Jan	83.25	-2.20	86.00	83.25	8	814
Mar	85.25	-2.20	88.50	87.60	43	523
Total					1,890	28,445

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Apr 8	Apr 7	month ago	year ago
1945.9	1950.1	2012.4	2111.1

■ CRB Futures (Base: 1967 = 100)

Apr 7	Apr 4	month ago	year ago
240.46	240.35		

■ GSCI Spot (Base: 1970 = 100)

Apr 7	Apr 4	month ago	year ago
187.10	186.55	194.07	214.05

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Apr	67.175	+0.200	67.475	66.875	10,118	16,312
Jun	63.325	+0.075	63.600	63.000	8,351	35,624
Aug	63.625	+0.200	63.750	63.350	2,357	24,060
Oct	67.700	+0.350	67.850	67.350	1,341	15,041
Dec	69.700	+0.225	69.800	69.400	615	7,554
Feb	70.600	+0.200	70.700	70.350	254	4,354
Total					23,039	103,588

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Apr	72.425	-0.975	73.250	72.200	1,712	4,356
Jun	80.975	-0.375	81.450	80.575	3,430	14,610
Jul	80.450	-0.475	81.175	80.400	8,964	4,166
Aug	78.350	-0.650	78.950	78.200	1,385	3,542
Oct	72.875	-0.200	73.000	72.550	402	2,720
Dec	70.625	-0.200	71.000	70.550	200	1,770
Total					8,049	32,152

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
May	79.800	+0.825	79.925	78.550	1,107	3,661
Jul	78.950	+0.850	78.700	77.650	583	2,281
Aug	75.900	+0.575	76.300	75.500	76	596
Feb	71.425	-0.125	72.600	71.700	3	102
Mar	71.400	-0.200	-	-	1	9
Total					1,769	6,623

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

	Calls		Puts	
■ ALUMINIUM (99.7%) LME	May	Aug	May	Aug
1575	24	68	34	49
1600	15	55	50	60
1625	9	45	45	75
■ COPPER (Grade A) LME	May	Aug	May	Aug
2250	95	92	16	84
2350	62	70	32	111
2450	37	52	57	142
■ COFFEE LIFFE	May	Jul	May	Jul
1550	50	125	30	98
1600	27	81	57	124
1650	14	67	94	154
■ COCOA LIFFE	May	Jul	May	Jul
1025	4	40	57	78
1050	2	33	80	96
1075	1	28	104	116
■ BRENT CRUDE IPE	May	Jun	May	Jun
1600	23	-	24	54
1650	-	52	-	79
1700	-	-	-	111

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel) +or-

		+or-
Dubai	$16.30-6.36w	-0.240
Brent Blend (dated)	$17.01-7.03	-0.030
Brent Blend (May)	$17.91-7.93	-0.060
W.T.I.	$19.30-9.32w	-0.190

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$201-203	
Gas Oil	$166-168	+2.5
Heavy Fuel Oil	$82-85	
Naphtha	$184-187	+1.5
Jet fuel	$183-185	
Diesel	$175-177	+3.5

■ NATURAL GAS (Pence/therm)

Bacton (May)	10.1-10.2	
Petroleum Argus. Tel. London (0171) 359 8792		
IPE (May)	10.150	+0.075

■ OTHER

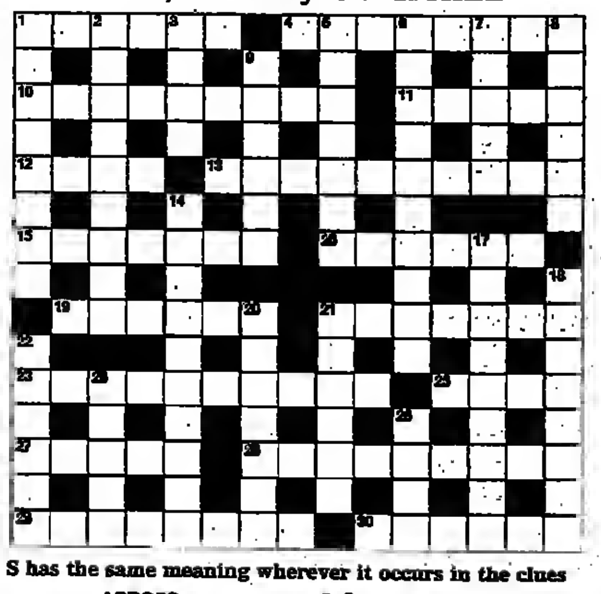
Gold (per troy oz)♣	$348.55	-0.20
Silver (per troy oz)♣	480.00c	
Platinum (per troy oz.)	$365.50	+1.50
Palladium (per troy oz.)	$154.00	+3.50
Copper	114.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	14.18r	-0.09
Tin (New York)	267.50	+1.00
Cattle (live weight)	99.37p	+2.19*
Sheep (live weight)	145.47p	-1.92*
Pigs (live weight)†	85.07p	+0.65*
Lon. day sugar (raw)	$271.70	+1.10
Lon. day sugar (wte)	$311.50	+1.20
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£108.75	
Wheat (US Dark North)	Unq	
Rubber (May)♥	75.75p	
Rubber (Jun)♥	75.75p	
Rubber (KL RSS No1)	293.5x	-1.0
Coconut Oil (Phil)§	730.0y	
Palm Oil (Malay.)§	560.0z	
Copra (Phil)§	$490.0y	-10.0
Soyabeans (US)	234.0	+4.0
Cotton Outlook'A' index	79.30c	
Wooltops (64s Super)	397p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. w May y Apr/May♥ z Apr London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 1,161 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,344 Set by CINEPHILE



S has the same meaning wherever it occurs in the clues

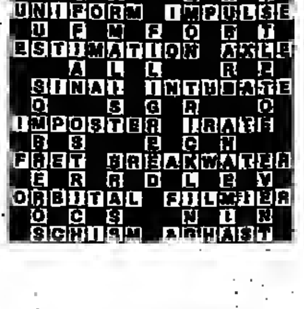
ACROSS

1 Pet card game for little S (6)
4 Big old beast gives degrees to academic (8)
10 Where yes-men S? (4,2,3)
11 Loud noise about last letter returned from shaver (5)
12 A lot of figures having gone to S? (4)
13 Little S: typical leaders prevail in divisions (5,5)
15 S for Nevil who wrote to you (4)
16 Cowboy's home in branch of tree (6)
19 Grace in theology and other things (6)
21 S, which takes junk (7)
23 Channel Islands mansions destroyed: they can't S (10)
25 Club, defining an age, applied to .... (4)
27 .... the fold left in a sort of bog (5)
28 Pole taking the road to Europe? He has a nerve problem (9)
29 Second sitting for S? Trust could be the object (8)
30 Salad plant without a sign of affection (6)

DOWN

1 Settler to stop one way (8)
2 Shields town from the Mounty's rampage (9)
3 A plant with expectations? (4)
5 One meant to check out raid (7)
6 Abandoning being sick? (8,2)
7 Little S with little name and number (6)
8 Deprivation of S for the wicked or in the home (2,4)
9 Poles exude little S (6)
14 Lunatics formerly bad somewhere to S and possibly meals with it (10)
17 A lot of Irishmen consumed S for a season (9)
18 Large amounts of hydrogen in S-like states (8)
20 Bridgetown (7)
21 Bone with container for drink (6)
22 S ring that? (6)
24 S for skins coming up (5)
26 S-like state on mother's business (4)

Solution 9,343



FT MANAGED FUNDS SERVICE

Offshore Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

Jupiter Asset Management (Bermuda) Ltd

Orbis Fund Limited

BERMUDA (REGULATED)(**)

Aristocrat Capital Management Ltd

Barmuda Intl Investment Mgmt Ltd

Butterfield Management Co Ltd

Integral Fund Arbitrage Fund Limited

Orbis Investment Management Ltd

Philip Smith & Co

GUERNSEY (SIB RECOGNISED)

AIB Investment Managers (Guernsey) Ltd

Adams & Neville Fd Mangt (Guernsey) Ltd

Barclays Fd Mgrs (CI) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Lazard Fund Managers (Channel Islands) Ltd

M & G (Guernsey) Ltd

Rothschild Asset Management - Contd.

Royal Bk of Canada O/S Fd Mgrs Ltd

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

Apollo Investment Management Ltd

Baring Investment Mngmt (Guernsey) Ltd

Barclays Global Investors Guernsey Ltd

CIBC Fund Managers (Guernsey) Ltd

Confed Life Investment Mgt (Guernsey) Limited

Credit Suisse Asset Mgmt (Guernsey) Ltd

FP Consult

Global Portfolio Management (Guernsey) Ltd

Henderson Fund Managers (Guernsey) Ltd

Lloyds Bank Fund Managers (Guernsey) Ltd

Merrill Lynch Guernsey

Nikko Capital Mgmt (Europe) Ltd

Paragon Asset Management Ltd

Royal Bank of Canada Intl Money Market Fd

Royal Bank of Canada Fd Mgrs

IRELAND (SIB RECOGNISED)

AIB Fund Management Ltd

Bank of Cyprus Group

Baring International Fund Managers (Ireland) Ltd

Christian Investments Plc

Credit Lyonnais Intl Asset Mgt (Dub) Ltd

Dublin Fund Managers Ltd

Fidelity Investments International (Dublin)

Murray Johnstone (Dublin) Ltd

Bank of Ireland Unit Managers Ltd

IRELAND (REGULATED)(**)

AIB Fund Management Ltd

Baring International Fd Mgrs (Ireland) Ltd

Barclays Global Investors Ireland Ltd

Lazard Brothers Investment Funds Ltd

Global Resources Stock Fund

Goldman Sachs

Gordon House Asset Management Ltd

HSBC UK Equity Plus Plc

Korea Asia Fund

Korea Growth Fund

Korea Emerging Growth Fund Plc

Korea Preferred Share Fund

Merrill Lynch Asset Management

Mitsui Fund Company Plc

Morgan Grenfell Cash & Money Market Plc

Yukon Express Fund Plc

ISLE OF MAN (SIB RECOGNISED)

Allied Dunbar Intl Fund Mgrs (IOM)

Ashburton Global Funds Ltd (1200)

Bank of Ireland Asset Mngmt (OM) Ltd

CMI Fund Managers (IoM)

Mercury Fund Managers (IOM) Ltd

Old Mutual Intl Fd Managers (Isle of Man) Ltd

ISLE OF MAN (REGULATED)(**)

BOE International Asset Management (IoM) Ltd

Bank of Ireland Asset Mngmt (OM) Ltd

City Financial Admin (IoM) Ltd

Irish Permanent Fund Managers (IoM) Ltd

Royal Bank of Scotland Fd Mgrs (Jersey) Ltd

Royal Bank of Scotland International Ltd

Standard Bank Fund Mngt (Jersey) Ltd

TSB Fund Managers (CI) Ltd

JERSEY (SIB RECOGNISED)

AIB Fund Managers (CI) Ltd

Barclays Global Investors Jersey Ltd

Capel-Cure Myers (Jersey) Ltd

Framlington International Fund Ltd

Guinness Flight Fund Managers (Jersey) Ltd

Hambros Fund Managers (CI) Ltd

Jardine Fleming Asset Management

Midland Bank Fund Managers (Jersey) Ltd

JERSEY (REGULATED)(**)

Bank of Scotland Fund Managers (Jersey) Ltd

Barclays Global Investors Jersey Ltd

Fleming Group

Invesco International Limited

Lazard Fund Administration (CI) Ltd

Lloyds Private Banking (CI) Ltd

Lombard Odier (Jersey) Ltd

Mercury Asset Management Channel Islands Ltd

Morgan Grenfell

Perpetual Fund Managers (Jersey) Ltd

Save & Prosper International

LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds (a)

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Abtrust Fund Mngrs Luxembourg SA (u)

Aetna International Umbrella Fund (u)

Credit Commercial de France

LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

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	Selling Price	Buying Price	+ or -	Yield Gross
Old Mutual International - Contd.				
Sterling Managed Funds				
£ OFS Global Port	$1.395	1.488	—	-
£ YRA Worldwide	$1.283	1.379	—	-
$ YRA Div Worldwide	$1.472	1.585	—	-
Young & Co Mixed P'folio	$1.273	1.369	—	-
Pioneer Mid Term Agg	$1.182	1.250	—	-
Pioneer Long Term Cons	$1.142	1.228	—	-
Pioneer Long Term Agg	$0.950	7.022	—	-
H&P Selective Mgd	$1.220	1.311	—	-
Old Mutual International (Ireland) Ltd				
PO Box 171, St Peter Port, Guernsey 01481 726726				
Emerging Markets Bond	$1.370	7.473	—	-
US$ Emerging Stockmarket	$0.928	0.997	—	-
US$ European Stockmarket	$1.306	1.404	—	-
US$ Managed Currency	$0.930	1.000	—	-
Sterling Managed Currency	£0.930	1.000	—	-
US$ Intl Fixed Interest	$1.054	1.133	—	-
Sterling Intl Fixed Interest	$1.042	1.151	—	-
Sterling Managed	£0.948	1.019	—	-
US$ Intl Stockmarket	$1.118	1.200	—	-
US$ Special Market	$0.845	0.908	—	-
Sterling Special Market	£0.846	0.911	—	-
Perpetual Int Growth	£0.961	1.034	—	-
GT MCS	$0.857	0.922	—	-
Old Mutual International (Isle of Man) Ltd				
Victory Hse, Prospect Hill, Douglas, IoM 01624				
Distribution Fund-Deferred	£1.29		+0.10	-
Distribution Fund-Quarterly	$1.87		+0.12	5.44
Distribution Fund-Half Yearly	$1.34		+0.12	0.04
European Equity	165.10	177.82	+0.31	-
Far Eastern Equity	$1.7582	1.8873	-0.0129	-

	Selling Price	Buying Price	+ or -	Yield Gross
Westman & Leander-Engstrom Inv Mgmt Ltd				
The Russian Property Fund				
A Shares	$20.77		—	-
B Shares	$18.93		—	-
Worldwide Limited				
NAV Feb 28	$91.46		—	-
Xiphias International Investment Fd Ltd				
Xiphias Global Growth	$11.27		—	-
Xiphias Int ECU Acc	Ecu1.6986		—	-
Zanett Lombardier Ltd				
NAV Feb 28	$224.57		—	-
Zuleuf Investment Management AG				
European Focus Mar 31	DM155.301		—	-
Zweig-DiMenna International Limited				
NAV Mar 31	$15787		—	-

OTHER OFFSHORE FUNDS

● MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses.
Prices of certain older insurance linked plans subject to capital gains tax on sales.
(*) Funds not SIB recognised. The regulatory authorities for these funds are:
Bermuda - Bermuda Monetary Authority
Guernsey - Financial Services Commission
Ireland - Central Bank of Ireland/Irish Department of Enterprise and Employment
Isle of Man - Financial Supervision Commission
Jersey - Financial Services Department
Luxembourg - Institut Monétaire Luxembourgeois.
Initial charge - Charge made on sale of units.
Selling price - Bid or redemption price.
Buying price - Offer or issue price.
OEIC - Open Ended Investment Company.
Time - The time shown alongside the fund manager's name is the time of the fund's valuation point unless indicated by one of the following symbols:
(¶) 0001 to 1100 hours
(§) 1101 to 1400 hours
(‡) 1401 to 1700 hours
(#) 1701 to midnight
E Exit charge on sale of units.
C Manager's periodic charge deducted from capital.
H Historic pricing F - Forward pricing
h Distribution free of UK taxes
p Periodic premium insurance plans.
s Single premium insurance.
u Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities).
a Offered price includes all expenses except agent's commission
c Previous day's price.
Guernsey gross.
♦ Yield before Jersey tax.
† Ex-subdivision. xd - Ex-dividend.
‡ Only available to charitable bodies.
♦ Yield column shows annualised rate of NAV increase.

The fund prices published in this edition are also available at the Financial Times' web site, http://www.FT.com

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or –	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS, RETAIL

	Notes	Price	+ or –	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BREWERIES, PUBS & REST

	Notes	Price	+ or –	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BUILDING & CONSTRUCTION

	Notes	Price	+ or –	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BUILDING MATS. & MERCHANTS

	Notes	Price	+ or –	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CHEMICALS

	Notes	Price	+ or –	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CHEMICALS - Cont.

	Notes	Price	+ or –	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DISTRIBUTORS

	Notes	Price	+ or –	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DIVERSIFIED INDUSTRIALS

	Notes	Price	+ or –	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ELECTRICITY

	Notes	Price	+ or –	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ELECTRONIC & ELECTRICAL EQPT

	Notes	Price	+ or –	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ENGINEERING

	Notes	Price	+ or –	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ENGINEERING - Cont.

	Notes	Price	+ or –	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ENGINEERING, VEHICLES

	Notes	Price	+ or –	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EXTRACTIVE INDUSTRIES

	Notes	Price	+ or –	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EXTRACTIVE INDUSTRIES - Cont.

	Notes	Price	+ or –	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FOOD PRODUCERS

	Notes	Price	+ or –	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

GAS DISTRIBUTION

	Notes	Price	+ or –	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
BG	[illegible]	179	+½	185½	134	7,949	10.6	18.1
Centrica		59¾	–½	77½	55	2,880	–	–
International Energy	[illegible]	89½	—	100	84½	[illegible]	4.9	10.8

HEALTH CARE

	Notes	Price	+ or –	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

HOUSEHOLD GOODS

	Notes	Price	+ or –	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INSURANCE

	Notes	Price	+ or –	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INSURANCE - Cont.

	Notes	Price	+ or –	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INVESTMENT TRUSTS

	Notes	Price	+ or –	52 week high	low	Yld	Dis or Pm(-)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or –	52 week high	low	Yld	Dis or Pm(-)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INV TRUSTS SPLIT CAPITAL

	Notes	Price	+ or –	52 week high	low	Yld	Dis or Pm(-)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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INV TRUSTS SPLIT CAPITAL - Cont.

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LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Cont.

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER , PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TEXTILES & APPAREL - Cont.

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind.		£24½	—	*£31¼	£20¾	1,885	3.1	ф
Barlow		[illegible]	-⅛	[illegible]	[illegible]	1,380	2.2	13.9
Gold Flds Prop R.	†	[illegible]	+½	171½	120	14.2	6.5	10.2
SA Brews		£18¾	+⅛	£24¾	£17¾	[illegible]	1.6	ф
Standard Bank		£25⅛	+¼	£31¼	£21	3,039	1.4	22.3
Tiger Oats		1065	+8	1160	770	1,632	1.7	21.1
Tongaat-Hulett		758½	+3	1125	676¼	714.0	2.4	ф

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVS) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis *assumes prior charges at par value, convertibles converted and* warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ф Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- § Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ◆ Merger bid or reorganisation in progress
- § *Forecast dividend yield; p/e based on earnings updated by* latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment

F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1997.
K Yield based on prospectus or other official estimates for 1998
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96
N Dividend is paid in whole or part on a

FID (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xf ex capital distribution.

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LONDON STOCK EXCHANGE

Interest rate threat overshadows shares

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

The recent burst of enthusiasm for UK stocks ran out of steam yesterday, with the big institutions moving back to the sidelines, seemingly content to wait for the May 1 general election.

Some dealers expressed their surprise at the market's initial reluctance to make further progress, given that Wall Street had continued its good run overnight, moving up 29 points on the Dow Jones Industrial Average, amid a flurry of excitement in the investment banking sector. US bonds also nudged higher, sustained by the dollar's good performance.

But the US market's sluggish opening yesterday, when it fell over 30 points shortly after trading commenced, before edging off the lowest levels, seemed to confirm London's more cautious view of global market trends.

Worries about the pound's strength, particularly against the D-Mark, eased slightly after a general retreat which saw the Bank of England's sterling index slip 0.3 to 99.1.

The shift in sentiment in the currency took the edge off gilts for much of the morning, removing one of the props from under the equity market. The sector rallied over the lunchtime period but eased again to close little changed on balance.

The FTSE 100 index closed the session a net 2.4 easier at 4,269.3, not far off the day's low, 4,259.6.

There was some comfort for investors in the second line stocks, where the FTSE 250, which had lagged the senior index during its two-day rise, spent a comfortable session, always in positive territory and finally 0.3 firmer at 4,518.7. The SmallCap index closed 2.1 up at 2,285.4.

Commenting on the day's events, the head dealer at one of the big European securities houses said London has suffered from a general lack of enthusiasm, triggered mainly by the threat of more rises in US and UK interest rates in the short and medium-term. "No one in the market can claim to have been overworked today," he said.

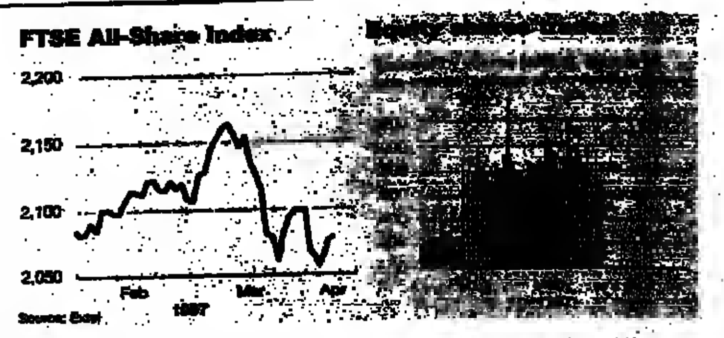
The threat of a further increase in US rates – possibly after the next FOMC meeting, scheduled for May 20 – and in UK rates after the first post-election meeting between the new chancellor of the exchequer and the Governor of the Bank of England, will overshadow sentiment for some time, he said.

Turnover remained low, despite hints that a couple of programme trades had impacted on the market shortly before the close. At the 6pm count turnover was 785m shares, split evenly between FTSE 100 and other stocks.

With the market locked in a tight range over the day it was left to company news items, such as Lasmo's drilling success in Pakistan, to provide excitement.

Goldman Sachs, the US investment bank, maintained its "underweight" stance on the UK equity market and its 12-month FTSE 100 target of 4,250. It says the UK has the highest risk of an increase in interest rates among European markets and the political risk is of a narrow Labour victory in the general election.

FTSE All-Share Index



Indices and ratios

FTSE 100	4269.3	-2.4	FT 30	2842.4	+3.6
FTSE 250	4518.7	+0.3	FTSE Non-Fins p/e	2136.76	18.17
FTSE 350	2105.5	-0.9	FTSE 100 Fut Jun	4282.0	+29.0
FTSE All-Share	2077.19	-0.69	10 yr Gilt yield	7.65	7.66
FTSE All-Share yield	3.68	3.67	Long gilt/equity yld ratio	2.06	2.08

Best performing sectors

1 Retailers: Food ......+1.4
2 Chemicals ......+0.9
3 Tobacco ......+0.9
4 Oil Exploration & Prod ......+0.9
5 Textiles & Apparel ......+0.9

Worst performing sectors

1 Media ......-1.1
2 Electronic & Elec ......-1.0
3 Leisure & Hotels ......-0.9
4 Engineering ......-0.8
5 Life Assurance ......-0.8

US buyer in for Sedgwick

By Peter John, Joel Kibazo and Gary Mead

Sedgwick rose as the market spotted that an aggressive US investor has been quietly picking up stock and concluded that changes might be on the horizon.

Oakmark International, a "no-load mutual fund", has bought 800,000 shares in the insurance broker, nudging its non-beneficial interest to above 3.11 per cent. No load mutuals are funds for which investors do not face the usual up-front fee.

Chicago-based Oakmark is managed by Mr David Herro, the fund manager who led the shareholder revolt against Mr Maurice Saatchi, Saatchi & Saatchi's deposed chairman.

Mr Herro has been instrumental in promoting proactive investment and there is speculation that his growing profile on the shareholder register could signal pressure for corporate changes.

Analysts said that, like sector stablemate Willis Corroon, Sedgwick has been a takeover candidate for some time and, because of recent underperformance, the shares were unusually attractive.

There were also hints that Mr Herro could use the muscle provided by his stake to prompt a management shake-out after board changes are announced at the annual meeting in three weeks time.

Finally, he might push for a return of shareholder value through a buy-back or special dividend. Sedgwick ended the day up 3¾ at 124½p on heavier than normal turnover of 2.7m shares. Willis was up 1¼ at 155p.

British Steel was not only the day's worst performer among FTSE 100 constituents, but also the most heavily dealt stock for the second successive session. Volume was 44m shares.

The shares surrendered 7 or 4.39 per cent to 152¼p as dealers responded to the latest round of profit downgrades and changes of recommendation for tba stock.

Yesterday it was the turn of HSBC James Capel and Merrill Lynch. The latter was said to have halved its 1998 profit expectations to £140m, a move blamed on currency factors. The broker was also believed to be advising clients to "reduce" holdings, having previously rated the stock a "hold".

British Steel has been under a cloud since the first wave of profit downgrades hit the market four weeks ago. Bulls of the stock are hoping a forthcoming analysts' visit to the US will improve sentiment.

BSkyB came down to earth as word whipped round the market that one of the satellite broadcaster's brokers had cut forecasts.

BZW reduced its current-year profit estimate by £23m to £302m, which translated to a 2.5 per cent reduction at the earnings per share level.

Mr Vighnesh Padiachi, the investment bank's media specialist, said he maintained his forecasts after the interims in February in the hope of some pay-per-view benefits. However, they failed to materialise and he was now moving into line with the market consensus.

Tesco, locked in a long-running supermarket battle with J. Sainsbury, appeared to win a further round yesterday. Its shares gained 11¼ to 364p.

Tesco'e numbers were in line with expectations. But one broker commented: "The really good news was the company's view that there's now a etabilised margin environment."

Tesco's current financial year has also opened promisingly, with UK sales for its first four weeks up 10.3 per cent over last year. UBS, Tesco's house broker, increased its current-year forecast for the company from £795m to £805m.

Sainsbury lost 5 to 328p, with one German-owned broker said to be attempting to place a line of 3m shares for much of the day. There were also market rumours that Homebase, its DIY chain, may be losing market share to Kingfisher's B&Q.

But Safeway bathed in the Tesco glow, gaining 4¼ to 369p. And Asda added 4¼ at 112p, on heavy trading of 27m shares.

Lasmo attracted support as at least one broker took a brighter view of the oil exploration and production group's prospects following news of a discovery.

ABN Amro Hoare Govett upgraded the stock to "hold" from "eell" after Lasmo's announcement of a new natural gas field.

Lasmo said possible reserves of more than 1,000bn cubic feet of natural gas had been found in the Kirthar concession in southern Pakistan, which is being explored jointly with Shell Exploration and Pakistan's state-run Oil and Gas Development Corporation. Hoare increased its net asset valuation on Lasmo to 197p a share from 185p. The shares gained 11 to 234p.

Defence electronics giant GEC fell 8 to 377p, in trade of 9.6m, on fears in the market that a strategic review currently under way at the UK group is likely to be a disappointment.

The results of the review are set to be announced in July with tha group'e figures, but one analyst said: "I can't see that there will be much to report, given the recent Thomson situation and yesterday's news from Framatome."

Framatome said that a deal to merge the company witb GEC Alsthom, tbe power engineering gronp jointly owned by GEC and Alcatel, tbe main share holder in Framatome, is unlikely.

Fashion retailer Oasis prompted a widespread uptick in the sector, gaining 12 to 398¼p, thanks to a 42 per cent profits increase to £15.6m, exceeding expectations of £14m-£14.5m.

Frencb Connection – which reports its annual results for the year ending January 1997 on 10 April – rose 21½ to 342½p.

Next was up 5¼ to 622p and Laura Ashley up 13 to 144½p.

Allied Colloids, a speciality cbemicals company, improved 5 to 129p after a buy recommendation from NatWest Securities.

The broker published a big strategic assessment of the company yesterday. It believes that the company's "premium returns on capital, leading market position and above market earnings growth all argue for an above market rating".

Hard-bit P&O recovered 11¼ to 629p after the company said it had settled a US lawsuit against its Princess Cruises unit.

Two stocks came to the market yestarday. United Overseas Group, which buys and distributes remaindered branded goods, was floated at 50p a share and ended its first day at a 10p premium.

And Sibir Energy, an AIM stock bived off by Melrose Energy at 10p a share, closed at 15½p.

FT 30 INDEX

	Apr 8	Apr 7	Apr 4	Apr 3	Apr 2	Yr ago	*High	*Low
FT 30	2842.4	2838.8	2817.4	2801.5	2813.1	2795.1	2931.4	2668.8
Ord. div. yield	3.92	3.92	3.95	3.96	3.94	3.87	4.22	3.76
P/E ratio net	16.94	16.93	16.82	16.78	16.83	16.79	18.09	15.80
P/E ratio nil	16.77	16.76	16.65	16.59	16.66	16.54	17.87	15.71

FT 30 since compilation: high 2931.4 10/03/97; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2845.6	2844.2	2840.3	2840.1	2841.6	2841.6	2839.7	2840.2	2841.0	2846.0	2837.4

	Apr 8	Apr 7	Apr 4	Apr 3	Apr 2	Yr ago
SEAQ bargains	42,078	53,704	62,681	66,629	67,774	39,767
Equity turnover (£m)†	-	NA	3282.5	3140.7	3376.8	2579.0
Equity bargains†	-	NA	56,184	66,117	68,678	38,466
Shares traded (ml)†	-	NA	707.7	722.7	747.0	671.8

†Excluding intra-market and overseas turnover but including Crest turnover.

	Apr 8	Apr 7	Apr 4	Apr 3	Apr 2	Yr ago	*High	*Low
FTSE AIM	1090.2	1086.2	1088.9	1087.6	1087.6	997.5	1140.4	965.7

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■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	690	Total Highs	39	Total contracts	40,557
Total Falls	439	Total Lows	44	Calls	17,481
Same	1,287			Puts	23,076

April 8 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	4296.0	4282.0	-13.0	4302.0	4275.0	8849	60436
Sep	4318.0	4307.0	-12.0	4318.0	4318.0	200	2495

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	4543.0	4543.0	+10.0	4543.0	4543.0	19	4939

■ FTSE 100 INDEX OPTION (LIFFE) (*4267) £10 per full index point

	4100 C	4100 P	4150 C	4150 P	4200 C	4200 P	4250 C	4250 P	4300 C	4300 P	4350 C	4350 P	4400 C	4400 P	4450 C	4450 P
Apr	172	6½	128½	11	85	19½	48½	35	24½	63	9½	98½	3½	145	1	193
May	208	34	168½	46	131	58½	100	78	72	100½	50½	129½	33	163½	19½	202½
Jun	242½	61	204½	72½	169½	89½	136	107	109	129	86	156½	63	182½	46	221
Jul	268½	70½	233	85½	197½	101	165	120½	137½	143½	110	167	87	197	68	226½
Dec†	359½	127½			295	161			234	201			182½	250		

Calls 1,549 Puts 5,401

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	4075		4125		4175		4225		4275		4325		4375		4425	
Apr	193	5½	146	8½	102½	14½	64½	27	34½	46½	16	78	6½	117	1½	163
May	227½	30½	186	38½	148½	51	114½	67	80½	88½	55	112	41	142½	28	177½
Jun	258½	55	221½	68½	186½	79½	153	98½	122½	116	97	138½	74	166	59½	190½
Sep			264½	107			210	136			161	178½		-	113½	226½
Dec†			343	129½			277½	160½			219	197½			169½	243½

Calls 5,824 Puts 5,646 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997 High	1997 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§100	F.P.	25.0	100	99	Aurora Inv Trust	100		-	-	-	-
§100	F.P.	70.6	103½	92½	†Avalon Oil	92½	-8	-	-	-	-
	F.P.	748.3	142½	124	Avis Europe	128½	+½	Q4.12	2.7	3.2	14.8
§	F.P.	6.33	44½	41½	†Bickerton	41½		-	-	-	23.2
§500	F.P.	122.6	620	562½	Cambridge Anti	562½	-12½	-	-	-	-
§40	F.P.	13.2	65	55	†Charlton Athltc	60½		-	-	-	-
	F.P.	38.0	95	95	Close Bros Pr VCT	95		-	-	-	-
§	F.P.	55.5	335	290	Diagonal	300	+½	-	-	-	39.0
§	F.P.	10.9	72	70½	Donatantonio	72		12.25	1.7	3.9	13.2
§175	F.P.	53.7	182½	175	Harvey Nash	182½		F4.0	-	2.8	-
§175	F.P.	25.9	212½	198	Heal's	212½	-1	1.7	3.1	2.3	15.5
§100	F.P.	19.0	130½	115½	Helphire Group	118½	-1	R0.8	5.1	0.9	14.2
100	F.P.	35.9	102½	92½	Murray VCT 2	102½		-	-	-	-
§135	F.P.	198.4	144½	135½	Newcastle Utd	139½	-½	u1.6	-	1.4	-
	F.P.	4.75	95	95	Oxford Tech Vent	95		-	-	-	-
§17	F.P.	4.07	50½	17½	Pathfinder Props	38	-7	-	-	-	-
§	F.P.	3.15	3	2½	†Prestbury Leisur	2½		-	-	-	-
§	F.P.	19.4	122½	115½	†Q Group	118½		-	-	-	-
-	F.P.	39.5	15½	12½	†Sibir Energy	15½		-	-	-	-
-	F.P.	12.4	107½	107½	†Torch Hldgs	107½		-	-	-	-
-	F.P.	71.8	80½	59	Utd Overseas Grp	60		-	-	-	13.0
	F.P.	22.4	147½	143½	Whitehead Mann	144½		$4.35	2.2	3.8	13.9
§	F.P.	-	177	177	Worldsec	177		-	-	-	-
§	F.P.	39.1	183	168	†World Telecom	181½	+½	-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Apr 7	% chg on day	Apr 4	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (32)	1694.80	-0.5	1613.38	2298.91	2.08	-	2382.86	1604.90
■ Regional Indices								
Africa (14)	1909.83	+0.7	1896.48	3012.16	4.79	30.14	3197.52	1888.95
Australasia (6)	1850.86	-0.2	1854.12	2870.25	2.88	28.26	2644.14	1850.86
North America (12)	1491.37	-1.1	1507.55	2041.43	0.90	58.19	2134.81	1491.37

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FTSE Actuaries Share Indices

Produced in conjunction with the Faculty and Institute of Actuaries

The UK Series

	Apr 8	Day's chge%	Apr 7	Apr 4	Apr 3	Year ago	Div. yield%
FTSE 100	4269.3	-0.1	4271.7	4236.6	4214.6	3758.6	3.78
FTSE 250	4518.7	....	4518.4	4514.8	4504.8	4377.1	3.55
FTSE 250 ex IT	4560.0	....	4560.2	4558.8	4548.2	4409.2	3.64
FTSE 350	2105.5	....	2106.4	2092.4	2082.8	1661.7	3.73
FTSE 350 Higher Yield	2033.0	-0.1	2034.6	2024.0	2010.8	1835.2	4.85

■ FTSE Actuaries Industry Sectors

■ Hourly movements

■ FTSE 350 Industry baskets

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	599	807½	-½
ASDA Group†	27,800	112	+4¼
Abbey National†	2,700	770½	+10
Airtours	150	943½	+3
Albert Fisher	631	43¾	-¼
Allied Domecq†	2,000	444	-4½

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SPREAD BETTING ON OVER EIGHTY MARKETS. CITY INDEX

FTSE INTERNATIONAL

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Apr 8 / Sch)

BELGIUM/LUXEMBOURG (Apr 8 / Frs.)

CZECH REP (Apr 8 / Koruna)

DENMARK (Apr 8 / Kr)

FINLAND (Apr 8 / Mka)

FRANCE (Apr 8 / Frs.)

GERMANY (Apr 8 / Dm.)

GREECE (Apr 8 / Drachma)

ITALY (Apr 8 / Lire)

NETHERLANDS (Apr 8 / Fls.)

NORWAY (Apr 8 / Kroner)

POLAND (Apr 8 / Zloty)

PORTUGAL (Apr 8 / Escudo)

SPAIN (Apr 8 / Pts.)

SWEDEN (Apr 8 / Kronor)

SWITZERLAND (Apr 8 / Frs.)

TURKEY (Apr 8 / TL Lira)

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PACIFIC

JAPAN (Apr 8 / Yen)

AUSTRALIA (Apr 8 / Aust$)

HONG KONG (Apr 8 / H.K.$)

INDONESIA (Apr 8 / Rupiah)

MALAYSIA (Apr 8 / MYR)

NEW ZEALAND (Apr 8 / NZ $)

SINGAPORE (Apr 8 / S$)

SOUTH KOREA (Apr 8 / Won)

TAIWAN (Apr 8 / TW $)

THAILAND (Apr 8 / Baht)

AFRICA

SOUTH AFRICA (Apr 8 / Rand)

NORTH AMERICA

CANADA

TORONTO (Apr 8 / Can $)
4 pm close

MONTREAL (Apr 8 / Can $)
4 pm close

Prices supplied by Extel, part of FT Information.

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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INDICES

	Apr 8	Apr 7	Apr 4	1997 High		1997 Low	
Argentina							
General(29/12/77)	(u)	20259.36	20188.64	21551.32	24/2	18297.37	2/1
Australia							
All Ordinaries(1/1/80)	2368.9	2366.0	2369.5	2501.70	18/2	2352.20	1/4
All Mining(1/1/80)	888.1	895.0	898.1	987.10	24/2	888.10	8/4
Austria							
Credit Aktien(30/12/84)	400.53	400.04	397.92	419.23	7/3	374.40	9/1
Traded Index(2/1/91)	1186.13	1178.29	1167.80	1266.43	11/3	1130.22	9/1
Belgium							
BEL20(1/1/91)	2114.43	2115.85	2080.67	2220.77	11/3	1871.05	2/1
Brazil							
Bovespa(29/12/83)	(u)	9837.00	9705.00	9837.00	7/4	6955.50	2/1
Canada							
Metals Minls♦(1975)	(u)	5111.10	5193.16	5891.75	10/3	5117.18	7/4
Composite♦(1975)	(u)	5840.80	5817.29	6332.90	10/3	5817.29	4/4
PortfolioSS(4/1/83)	(u)	2942.71†	2927.71	3214.10	10/3	2927.71	4/4
Chile							
IGPA Genl(31/12/80)	(u)	5349.39	5338.67	5443.52	25/2	4812.42	2/1
Denmark							
CopenhagenSE(3/1/83)	527.14	520.88	520.94	555.49	11/3	470.14	2/1
Finland							
HEX General(28/12/90)	2836.30	2821.86	2734.35	3008.36	11/3	2483.29	2/1
France							
SBF 250(31/12/90)	1738.59	1733.50	1704.63	1815.38	10/3	1533.19	2/1
CAC 40(31/12/87)	2579.00	2572.31	2511.97	2709.21	10/3	2256.97	2/1
Germany							
FAZ Aktien(31/12/58)	1153.02	1150.88	1123.31	1192.89	11/3	986.21	2/1
Commerzbank(1/12/53)	3368.1	3358.5	3270.00	3472.38	27/3	2875.80	2/1
DAX‡(30/12/87)	3329.76	3312.88	3244.93	3460.59	7/3	2848.77	2/1
Greece							
Athens SE(31/12/80)	1436.55	1430.41	1395.69	1453.69	26/2	954.34	2/1
Hong Kong							
Hang Seng(31/7/64)	12398.57	12287.84	12204.59	13868.24	20/1	12055.17	3/4
India							
BSE Sens.(1979)	(c)	3520.40	3550.37	3944.8	4/3	3225.24	2/1
Indonesia							
Jakarta Comp.(10/8/82)	638.22	636.64	637.42	712.80	29/2	636.64	7/4
Ireland							
ISEQ Overall(4/1/88)	2988.28	2974.31	2929.88	3050.63	11/3	2725.07	2/1
Italy							
Banca Comm Ital(1972)	744.47	743.09	732.89	797.71	10/2	642.55	2/1
MIB General(2/1/97)	1119.0	1111.0	1102.0	1189.00	10/2	981.00	2/1
Japan							
Nikkei 225(16/5/49)	18021.70	17715.87	17860.59	19446.08	6/1	17303.65	10/1
Nikkei 300(1/10/82)	265.07	262.24	264.23	282.45	6/1	251.04	27/1
Topix(4/1/68)	1365.05	1354.83	1369.82	1490.86	6/1	1328.60	27/1
2nd Section(4/1/68)	1582.87	1602.61	1620.27	1829.21	6/1	1582.87	8/4
Malaysia							
KLSE Comp.(4/4/86)	1162.25	1134.23	1136.78	1271.57	25/2	1134.23	7/4
Mexico							
IPC(Nov 1978)	(u)	3782.83	3752.47	3939.89	25/2	3359.46	2/1
Netherland							
CBS TtlRtnGen(End 83)	840.4	841.1	820.6	865.70	11/3	730.80	2/1
CBS All ShrEnd 83)	492.6	493.0	481.0	519.80	7/3	429.00	2/1
New Zealand							
Cap. 40(1/7/86)	2224.62	2221.01	2225.53	2440.21	20/1	2207.48	1/4
Norway							
Oslo SE(Ind)(2/1/83)	1797.03	1793.46	1738.03	1841.49	20/2	1639.03	2/1
Philippines							
Manila Comp(2/1/85)	2909.30	2980.86	3060.59	3447.60	5/2	2905.30	8/4
Portugal							
BVL 30(4/1/93)	2533.20	2529.42	2497.88	2843.18	11/3	2165.57	2/1
Singapore							
SES All-S'pore(2/4/75)	523.84	517.60	514.49	573.93	17/2	510.70	3/4
South Africa							
JSE Gold(28/9/78)	1327.8♥	1318.0	1291.5	1689.10	27/2	1289.00	3/4
JSE Ind.(28/9/78)	8244.7♥	8285.6	8239.1	8425.52	25/2	7858.50	2/1
South Korea							
KoreaCompEx**(4/1/80)	694.97	694.90	687.42	721.00	14/2	611.05	7/1
Spain							
Madrid SE(30/12/85)	478.22	476.35	466.12	488.60	10/3	424.54	2/1
Sweden							
AffarsvaerldenGen(1/2/37)	2690.8	2710.0	2648.4	2832.40	10/3	2379.50	2/1
Switzerland							
Swiss Bk Ind(31/12/58)	2187.94	2182.31	2136.80	2224.60	10/3	1817.95	13/1
SBC General(1/4/87)	1525.29	1527.61	1492.27	1557.61	11/3	1318.14	6/1
Taiwan							
WeightedPr.**(30/6/66)	8460.63	8517.70	8387.57	8526.20	18/3	6844.75	6/1
Thailand							
Bangkok SET(30/4/75)	715.36	(c)	714.09	859.97	22/1	676.85	6/3
Turkey							
IMKB Nat 100(1986)	1548.00	1532.00	1570.90	1854.00	21/3	995.00	2/1
WORLD							
MS Capital Intl(1/1/70)	809.7*	809.5	809.4	854.40	25/2	805.10	4/4
CROSS-BORDER							
Eurotrack 100(26/10/90)	2147.42	2136.34	2100.19	2231.83	11/3	1880.80	2/1
Euro Top-100(26/6/90)	1827.93	1824.94	1785.87	1884.47	11/3	1582.89	2/1
HSBC JC Drgn(31/12/88)	(u)	388.73	387.84	428.48	20/1	367.20	3/4
ING Bngs Emrg(7/1/92)	175.36	174.34	173.21	181.33	26/2	159.74	3/1

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
■ CAC-40 (200 x Index)							
Apr	2584.0	2582.0	-1.0	2590.0	2570.0	8,810	24,141
May	2569.5	2567.5	-1.0	2572.0	2567.0	13	3,845
■ DAX							
Jun	3372.0	3338.0	-16.5	3378.0	3320.5	21,301	163,817
Sep	3395.0	3363.0	-22.5	3395.0	3354.5	52	4,654
■ OMX							
Apr	2117.00	2084.00	-29.00	2117.00	2082.00	6,066	24,603
May	-	-	-	-	2097.50	-	949
■ SOFFEX							
Apr	4570.0	4579.0	-13.0	4607.0	4568.0	4,731	27,637
May	4560.0	4555.5	+32.0	4565.0	4553.4	422	1,583

** Est Apr 5 : Taiwan Weighted Price (c); Korea Comp Ex 687.42. Base values of all indices are 100 except Australia All Ord and Mining - 500, Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; IMKB Nat 100 - 1; NYSE All Common - 50; Standard & Poor's - 10 and Amex Comp - 100. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index. Apr 8 - 3326.13 -14.64. † Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

US INDICES

Dow Jones	Apr 7	Apr 4	Apr 3	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	6555.91	6526.07	6477.35	7085.16 (11/3)	6442.49 (2/1)	7085.16 (11/3/97)	41.22 (8/7/32)
Home Bonds	101.93	101.93	102.00	103.89 (19/2)	101.89 (7/4)	108.77 (16/10/93)	54.99 (1/10/81)
Transport	2427.36	2400.54	2349.89	2469.69 (18/3)	2222.07 (2/1)	2469.69 (18/3/97)	13.23 (8/7/32)
Utilities	214.84	214.85	215.74	240.86 (22/1)	214.64 (7/4)	256.48 (31/8/93)	15.53 (8/7/32)

DJ Ind. Day's high 6599.00 (6561.57) Low 6508.70 (6378.90) (Theoretical♦)
Day's high 6569.14 (6527.21) Low 6527.21 (6404.84) (Actual♦)

Standard and Poors	Apr 7	Apr 4	Apr 3	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite‡	762.13	757.90	750.32	816.29 (18/2)	737.01 (2/1)	816.29 (18/2/97)	4.40 (1/6/32)
Industrials♥	894.53	889.86	879.51	950.96 (18/2)	865.02 (2/1)	950.96 (18/2/97)	3.52 (30/6/32)
Financial	88.27	85.46	85.11	97.25 (10/3)	80.75 (2/1)	87.25 (10/3/97)	7.13 (4/9/74)
NYSE Comp.	400.68	398.02	394.40	427.70 (10/3)	389.53 (2/1)	427.70 (10/3/97)	4.64 (25/4/42)
Amex Comp.	560.44	558.73	557.82	609.63 (10/3)	555.73 (4/4)	617.81 (22/5/96)	524.20 (16/7/96)
NASDAQ Cmp	1251.35	1236.73	1213.76	1388.08 (22/1)	1201.00 (2/4)	1388.08 (22/1/97)	54.87 (3/10/74)

■ RATIOS

	Apr 4	Mar 21	Mar 14	Year ago
Dow Jones Ind. Div. Yield	1.97	1.89	1.85	2.11
	Apr 2	Mar 26	Mar 19	Year ago
S & P Ind. Div. yield	1.86	1.77	1.78	1.88
S & P Ind. P/E ratio	21.45	22.54	22.38	21.43

■ NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
Nike Inc B	13,488,200	54⅜	-4⅛
Office Dpt	12,486,300	14	+1
Micron Tch	4,758,700	41⅛	+1⅞
ColumbiaHCA	4,461,800	32⅝	-⅞
LSI Logic	3,852,600	40	+1¼
Ford Motor	3,804,400	31⅜	+¾
Adv Micro	3,769,500	41¼	+1⅞
GTE	3,353,800	44⅜	—
Fannie Mae	3,038,900	37	+1⅛
Hewlett Pk	2,860,400	52⅝	-⅞

■ TRADING ACTIVITY

● Volume (million)	Apr 7	Apr 4	Apr 3
New York SE	453.420	537.286	488.271
Amex	18.282	21.113	18.076
NASDAQ	577.789	577.837	590.071
NYSE			
Issues Traded	3,301	3,292	3,275
Rises	1,721	1,417	895
Falls	774	1,053	1,557
Unchanged	806	822	823
New Highs	58	33	22
New Lows	48	84	104

	Open	Latest	Change	High	Low	Est. vol.	Open int.
■ S&P 500							
Jun	767.80	767.40	+13.55	768.35	764.15	70,122	178,457
Sep	775.00	775.20	+13.55	775.30	772.10	194	4,575

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
■ Nikkei 225							
Jun	17750.0	18040.0	+390.0	18080.0	17600.0	26,381	225,427
Sep	17810.0	18000.0	-	18000.0	17700	6	2,725

Open interest figures for previous day.

■ TOKYO - MOST ACTIVE STOCKS: Tuesday, April 8, 1997

	Stocks Traded	Closing Prices	Change on day
Nippon Credit Bk	11.3m	170	+9
Nippon Steel Corp	8.2m	363	+4
Sakura Bank	7.5m	648	-2
Sumitomo Bank	7.2m	1320	-40
NEC Corp	6.7m	1520	+40
Nikko Secs	6.3m	601	-15
Nomura Secs	6.2m	1240	-20
Mitsubishi Hvy	6.0m	812	
Mitsui Mln & Sml	5.5m	502	+15
Toyota Motor	5.1m	3460	+180

4 pm close April 8

NEW YORK STOCK EXCHANGE PRICES

- A -

1997 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
30½	24¼	AAR	0.48	1.6	22	318	30	29½	29½	-¼
43	33⅛	AMP	1.04	3.0	26	6519	34¾	34½	34¾	+⅛
90⅞	78¼	AMR				610342	89½	85¼	85½	-1⅞
37⅝	33¼	ASA	1.20	3.5	22	238	34⅛	33⅝	33⅞	+¼
60½	49¾	AbbotL	1.00	1.8	23	6392	58¾	55½	58½	+¼
17½	14¼	Abitibi Pr	0.40	2.8	7	672	14⅞	d14⅜	14⅞	+⅛
16¼	17⅜	ABM Ind	0.40	2.2	17	314	15¼	17½	18¼	+⅛
33	18¼	Acpineals			9	35	19	18⅞	18⅞	-¼
66⅞	56⅛	ACE Ltd 4	0.72	1.2	10	462	60⅞	60¼	60⅝	-½
10¾	10	ACM Gvt In x	0.90	0.9	11	218	10¼	d10	10⅝	-⅛
7⅝	7	ACM GrOpp x	0.63	8.5		1241	7⅞	7⅜	7⅜	
9⅞	9¼	ACM Man x	0.90	9.4		279	9⅝	9½	9⅝	+⅛
10⅜	6¼	Acme Elect				201	6½	d6¼	6¼	-⅛
20	14⅝	Acme Mills			64	17	14⅞	14¾	14¾	-⅛
33	27¼	Acordia	0.80	2.5	15	40	32	d1⅝	32	
29¾	21¼	Acuson				1626	22⅞	22⅛	27⅜	-¼
21	19⅜	Adams Expr	0.55	2.7	1	140	20⅛	20	20⅛	
48½	24⅞	AdvMic				46619	44¾	42½	43	+1¾
15	16⅝	Advest Grp x	0.03	0.2	0	122	13⅞	13⅛	13⅞	+⅛
14⅝	11¾	Advo Inc			28	281	12⅞	12	12⅞	+⅞
73⅝	61⅜	Aegon	1.16	1.8	16	239	58⅛	65½	66	-¼
5⅛	3⅛	Aerfix				201	3⅜	3¼	3¼	-⅛

[illegible]

- B - [illegible]

- C - [illegible]

- D - [illegible]

- E - [illegible]

- F - [illegible]

- G - [illegible]

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FT
FINANCIAL TIMES

Continued on next page

NYSE PRICES

4 pm close April 8

Continued from previous page

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Zero	0.12	0.6	14 771	18¾	18¼	18½	+¼
ZweigFd	1.16	10.2	617	u11½	11¼	11⅜	
Zweig Tot	0.84	9.9	142	8½	8⅜	8½	+⅛

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
 # Dealings suspended.

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NASDAQ NATIONAL MARKET

4 pm close April 8

- K -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
K Swiss x	0.08	109	26	12⅝	11⅞	12	
Kaman Cp x	0.44	12	623	13⅛	12⅞	13	+⅛
Kelly Sr	0.84	13	99	27	d26¾	26¾	-.10
Kimball x	1.04	15	39	38½	37¾	38½	+½
KLA Instr		21	19171	44⅝	42⅞	44¼	+⅛
Koll A			790	⅜	d¼	⅜	-1/32
Komag		15	9424	33⅞	31	32⅞	+1⅜
Kulicke S			11965	27⅝	24⅝	27.40	+2.21

- R -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Rainbow		13	503	17⅜	17	17	-¼
Rallys			1205	3 13/16	3 9/16	3 13/16	-1/16
Raymond	0.25	14	378	29⅝	28⅞	29¼	-¼
RCSB Fin	0.60	11	975	31⅛	30⅛	d1⅛	+⅝
Read-Rite		21	837	33⅛	31½	32⅝	+1/16

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Printron		14	734	13⅛	12½	12⅝	-⅛
Prod Ops	0.28	30	1685	55.55	53¼	55	+1 11/32
Qualcomm		20	420477	58⅝	58⅝	57¼	-2⅞
Qual Food		24	z0	41⅝	41⅝	41⅝	-¼
Quantum		28	30851	u46⅝	43⅞	46⅛	+1⅜
Quicksilv		18	2532	26½	25¼	25⅛	+⅛
Quintiles		416	2580	58	53	54⅛	-2

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
WmsSonoma		34	1623	30½	29	28⅝	-¾
Wolohan L	0.28	13	25	12⅜	12⅜	12⅜	-⅛
Wndcm			73174	24⅛	23¾	24	+⅜
Worthinds	0.48	20	2623	18⅞	18⅞	18¾	-⅞
WPP ADR	0.10	22	405	40⅜	39⅞	40 7/16	-17/32
Wyman-Gdn	0.40	27	289	21⅞	21⅛	21½	+5/16

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		30	25183	u53	49¾	51⅞	+1
Xircom		32	2800	18½	17⅛	18⅛	+⅝
Xoma Corp			928	5½	5 7/16	5 7/16	+⅝
Yellow			3474	u20	19⅝	20	+⅜
York Rsch		15	535	7⅞	d7½	7½	-⅛
ZionsUtah	1.76	17	d12	120⅛	115	118⅛	+3⅛

EASDAQ

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Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$7.875	-0.125	5250	8.25	7.875	Esprit Telecom ADS	US$9.875	+0.125	1500	12.5	9.75
Artwork Systems	US$10.5		2000	11.375	10.25	Innogenetics	US$12.125		14830	12.825	10.5
Chemunex	FFr17.5		62000	19	17	Mercer Intemtnl.	US$9.5		0	11.375	9
Dr Solomon's ADS	US$28.25	+3.125	8	26	20.875	Pb Tech	US$4.75		0	8.25	4.375

Prices for 8/4/97. Please note that trading prices are currently used to calculate highs and lows.

Information about EASDAQ can be found on the Web site at: HTTP://WWW.EASDAQ.be
EASDAQ offices are located in Brussels (Tel. 32-2 / 227 65 20) and in London (Tel. 44-171 / 499 99901.

AMEX PRICES

4 pm close April 8

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
NY TmA	0.60	25	3068	44⅜	43⅞	44	-⅛
NVR		9	72	14⅛	14	14	
Pegasus G		76	1119	8 1/16	7⅞	7⅞	-⅛
Perini		3	37	7	d6⅞	7	
PMC x	1.24	11	104	13¾	13⅜	13⅜	-⅛
RaganBrad			z0	26⅛	d26⅛	26⅛	
SJW Corp	2.28	24	18	u54	52¾	54	+1½
Tab Prods	0.20	14	24	10¼	10⅛	10¼	
Tel&Data	0.42	38	z0	38⅞	38⅞	38⅞	+⅜
Thermedics		25	155	17¾	17⅛	17¾	+⅝
Thermotrex		21	578	30⅛	29¾	30⅛	+⅜
TotPNA x	0.30	149	86	10¾	10½	10½	
TownCntry		0	410	5/16	d¼	¼	-1/16
Triton Gp		7	71	⅞	13/16	⅞	-1/16
Tubos Mex			795	17¼	17⅛	17¼	
UtdFoodsA		21	2	1 11/16	1 11/16	1 11/16	
UtdFoodsB			z0	1¾	1¾	1¾	
US Cellul		18	51	25	d24⅝	25	+⅝
ViacmA		183	476	31½	21⅛	31⅛	-⅛

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Dow slightly ahead in heavy volume

AMERICAS

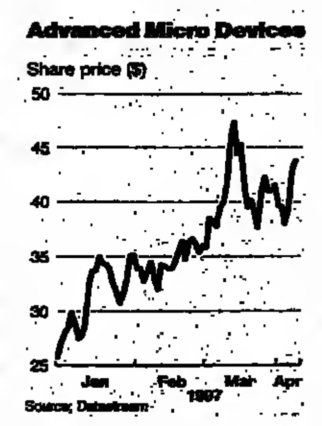
US shares were flat at midsession as good news from two semiconductor companies failed to cheer the broader market, *writes Lisa Bransten in New York.*

At 1pm, the Dow Jones Industrial Average was up 11.33 at 6,567.24 and the more broadly traded Standard & Poor's 500 climbed 0.28 at 762.41. Volume on the NYSE was heavy at 240m shares.

Technology shares were also flat in spite of a jump in Advanced Micro Devices, the semiconductor company, which reported much stronger than expected earnings after the close on Monday. At midday, the technology-rich Nasdaq composite was just 0.83 stronger at 1,252.18 and the Pacific Stock Exchange technology index was 0.3 per cent stronger.

Shares in AMD jumped $2⅝ or 6 per cent to $43⅝ after the company reported a first quarter profit of 9 cents per share. Analysts had expected the chip company to report a loss of 2 cents per share.

Meanwhile, shares in Motorola, the semiconductor and mobile telephone company, slipped $⅞ at $59⅛ although it also reported first quarter earnings that were ahead of expectations. Motorola said first quarter earnings were 53 cents a diluted share, 8 cents ahead of estimates.



The strong news did help lift shares in other semiconductor companies and computer manufacturers. Among chip companies, Micron Technology added $1⅛ at $43⅝ and Texas Instruments added $1⅝ at $87⅞.

As for computer makers, IBM, which is a component of the Dow, added $3⅛ at $135½, Compaq Computer $2⅛ at $78⅝, Dell Computer $1⅛ at $75⅞ and Gateway 2000 $1⅛ at $58.

Some of the smaller brokers, which jumped on Monday on news that Bankers Trust had agreed to buy Alex Brown, slipped back. AG Edwards lost $⅜ at $34⅝ and Legg Mason $⅛ at $48⅝, although Hambrecht & Quist added $⅜ at $21⅝.

TORONTO moved lower across the board with dealers reporting some "fairly serious" profit-taking among the banks. At noon, the 300 composite index was off 32.78 at 5,808.00.

Royal Bank of Canada retreated 70 cents to C$53.75 and Toronto-Dominion Bank and Bank of Montreal came off 15 cents to C$36.15 and C$49.25 respectively.

Dull base metal prices continued to gnaw away at Alcan, pushing the shares down 60 cents to C$44.30. Seagram, the drinks leader, shed 50 cents to C$51.95.

Sao Paulo weakens on profit-taking

Latin American markets traded nervously in a morning marked by low volumes in most centres.

SAO PAULO ran into profit-taking after two strong sessions for the telecoms sector following news of tariff rises. Up almost 6 per cent in two days, the Bovespa index drifted lower yesterday, easing 71 to 9,765 at midsession. Telebras, the telecoms leader, came off 1.71 reals to 117.99 reals.

BUENOS AIRES also moved lower, not helped by Salomon Brothers' move to underweight on Argentina stocks. The US securities house appeared to have turned cautious on the market following its 10 per cent improvement this year. At midsession, the Merval index was 0.37 lower at 721.84.

MEXICO CITY eased in line with the dull opening on Wall Street. "It's a thin day so far. There is not much direction one way or the other," said one broker. The peso hardened ahead of the announcement of March inflation data, but broad sentiment in the share market was flat. At midsession, the IPC index stood at 3,771.06, a decline of 21.77.

Industrials push Johannesburg lower

Profit-taking plus some downside influence from the futures pits pushed Johannesburg lower, sending the all-share index down by 30.6 to 7,044.1.

Industrials led the way down, overshadowing another solid day for golds which continued to respond warmly to the firming bullion price. The industrial index shed 40.9 to 8,244.7.

Industrials drifted lower throughout the session, ending just above the day's lows.

South African Breweries came off R1.50 to R136. The golds index gained 9.8 to 1,327.8.

FT/S&P ACTUARIES WORLD INDICES QUARTERLY VALUATION

The market capitalisation of the national and regional markets of the FT/S&P Actuaries World Indices as at MARCH 31, 1997 are expressed below in millions of US dollars and as a percentage of the World Index. Similar figures are provided for the preceding quarter. The percentage change for each US dollar index value since the end of the calendar year is also provided.

NATIONAL AND REGIONAL MARKETS (number of lines of stock)	Market cap. as at 31/03/97 (US$m)	% of World Index	Market cap. as at 31/12/96 (US$m)	% of World Index	% chge in $ index since 31/12/96
Australia (76)	202711.0	1.50	201016.5	1.51	-0.54
Austria (24)	20244.3	0.15	20936.3	0.15	-1.26
Belgium (26)	94769.2	0.70	90462.1	0.68	4.86
Brazil (28)	75457.0	0.56	62117.2	0.47	21.60
Canada (114)	308294.0	2.30	314947.1	2.36	-2.32
Denmark (32)	49592.5	0.37	44623.3	0.33	4.77
Finland (28)	46604.9	0.35	40140.4	0.30	5.73
France (91)	459494.9	3.40	441338.1	3.31	5.69
Germany (59)	542690.1	4.03	492236.7	3.71	8.30
Hong Kong (59)	270994.8	2.01	299324.0	2.24	-10.21
Indonesia (27)	20092.2	0.15	20219.0	0.15	1.81
Ireland (16)	25662.2	0.19	25300.7	0.19	1.35
Italy (59)	174065.5	1.29	170052.2	1.27	2.62
Japan (480)	2099994.2	15.56	2369041.0	17.68	-12.17
Malaysia (107)	151841.1	1.13	148821.7	1.11	0.91
Mexico (27)	61687.5	0.46	59759.7	0.45	10.21
Netherland (18)	306070.2	2.27	290849.9	2.18	5.11
New Zealand (14)	22615.2	0.17	24526.6	0.18	-7.57
Norway (41)	36351.9	0.27	30836.8	0.23	6.12
Philippines (22)	15612.4	0.12	16308.9	0.12	-3.31
Singapore (43)	61291.5	0.45	66547.8	0.50	-8.39
South Africa (44)	133468.3	0.99	117765.1	0.88	13.21
Spain (35)	142285.0	1.06	146491.9	1.09	-2.10
Sweden (49)	195403.1	1.45	176828.2	1.32	5.80
Switzerland (36)	372579.0	2.76	340053.5	2.55	10.00
Thailand (44)	10874.5	0.08	13017.3	0.10	-16.45
United Kingdom (212)	1381338.0	10.25	1382896.3	10.36	-0.08
USA (654)	6194958.7	45.97	5926178.1	44.39	1.73
Americas (823)	6641397.3	49.28	6360002.1	47.64	1.80
Europe (727)	3846956.7	28.55	3694208.0	27.67	3.85
Nordic (150)	328652.3	2.44	292228.4	2.19	5.67
Pacific Basin (872)	2854177.0	21.19	3176824.8	23.80	-10.40
Euro-Pacific (1599)	6701043.7	49.73	6871027.8	51.47	-2.74
North America (768)	6504252.8	48.27	6241125.1	46.75	1.53
Europe Ex. UK (515)	2465531.7	18.30	2311816.7	17.31	6.17
Pacific Ex. Japan (392)	757212.8	5.62	789883.8	5.92	-5.08
World Ex. US (1912)	7280948.9	54.03	7422637.0	55.61	-2.17
World Ex. UK (2254)	12094572.4	89.75	11965928.7	89.64	-0.45
World Ex. Japan (1986)	11378943.2	84.44	10961674.0	82.12	2.11
The World Index (2466)	13475907.3	100.00	13348815.0	100.00	-0.41

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FT/S&P ACTUARIES WORLD INDICES

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NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	MONDAY APRIL 7 1997 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY APRIL 4 1997 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (76)	214.02	-0.1	194.69	170.12	190.37	183.36	-0.1	4.14	214.19	193.57	168.08	186.60	[illegible]	[illegible]	[illegible]	[illegible]
Austria (24)	179.04	-1.2	162.88	142.32	159.26	159.21	0.9	1.82	181.19	163.79	142.15	157.83	[illegible]	[illegible]	[illegible]	[illegible]
Belgium (26)	230.84	-0.8	209.99	183.49	205.33	200.89	1.4	3.54	232.61	210.23	182.88	202.66	[illegible]	[illegible]	[illegible]	[illegible]
Brazil (30)	247.20	1.3	224.89	196.50	219.89	481.48	1.3	1.06	244.04	220.56	191.49	212.62	[illegible]	[illegible]	[illegible]	[illegible]
Canada (114)	184.20	0.5	187.57	146.43	163.85	185.32	0.5	2.10	183.28	165.65	143.82	169.68	[illegible]	[illegible]	[illegible]	[illegible]
Denmark (32)	351.51	-1.0	319.77	279.42	312.67	311.54	1.2	1.61	354.93	320.78	278.50	309.22	[illegible]	[illegible]	[illegible]	[illegible]
Finland (28)	250.69	2.1	228.06	199.28	223.00	268.93	4.1	1.70	245.48	221.86	192.62	213.87	[illegible]	[illegible]	[illegible]	[illegible]
France (91)	214.52	-0.1	195.15	170.52	190.82	193.72	1.8	2.77	214.81	194.14	168.56	187.15	[illegible]	[illegible]	[illegible]	[illegible]
Germany (59)	196.35	-0.2	178.62	156.08	174.66	174.66	1.9	1.61	196.66	177.74	154.31	171.34	[illegible]	[illegible]	[illegible]	[illegible]
Hong Kong (66)	446.06	0.3	405.79	354.58	396.79	443.68	0.2	3.41	444.89	402.08	349.09	387.60	[illegible]	[illegible]	[illegible]	[illegible]
Indonesia (27)	224.24	0.8	204.00	178.25	199.47	330.85	0.3	1.61	223.62	202.11	175.47	194.83	[illegible]	[illegible]	[illegible]	[illegible]
Ireland (16)	325.67	0.0	296.54	259.11	289.96	295.74	1.4	8.21	326.03	294.66	255.83	284.05	[illegible]	[illegible]	[illegible]	[illegible]
Italy (59)	86.60	0.9	78.78	68.84	77.03	108.85	2.5	2.18	85.79	77.53	67.31	74.74	[illegible]	[illegible]	[illegible]	[illegible]
Japan (485)	110.44	-2.2	100.47	87.79	98.24	87.79	-0.9	0.89	112.96	102.09	89.64	98.41	[illegible]	[illegible]	[illegible]	[illegible]
Malaysia (107)	563.15	-0.7	512.31	447.66	500.94	542.16	-0.2	1.18	567.18	512.60	445.05	494.14	[illegible]	[illegible]	[illegible]	[illegible]
Mexico (27)	1359.09	1.8	1236.38	1080.36	1208.94	11745.78	1.1	1.17	1333.84	1205.50	1046.63	1162.08	[illegible]	[illegible]	[illegible]	[illegible]
Netherland (19)	336.36	0.2	305.99	267.38	299.20	295.40	2.5	2.65	335.62	303.33	263.35	292.40	[illegible]	[illegible]	[illegible]	[illegible]
New Zealand (14)	83.66	-0.3	76.11	66.50	74.42	64.39	-0.2	4.41	83.93	75.85	65.85	73.12	[illegible]	[illegible]	[illegible]	[illegible]
Norway (41)	295.53	0.5	268.85	234.92	262.88	279.37	3.0	2.20	293.93	265.65	230.64	256.08	[illegible]	[illegible]	[illegible]	[illegible]
Philippines (22)	191.26	-2.1	164.89	144.09	191.23	238.20	-2.1	0.73	165.16	167.34	145.29	161.31	[illegible]	[illegible]	[illegible]	[illegible]
Singapore (43)	395.95	0.7	360.20	314.74	352.20	263.00	1.0	1.07	393.21	355.38	308.54	342.58	[illegible]	[illegible]	[illegible]	[illegible]
South Africa (44)	361.77	0.9	329.10	287.57	321.80	350.17	1.2	2.39	358.56	324.06	281.35	312.38	[illegible]	[illegible]	[illegible]	[illegible]
Spain (35)	212.63	0.2	193.43	169.02	189.14	232.69	2.3	2.71	212.13	191.72	166.46	184.82	[illegible]	[illegible]	[illegible]	[illegible]
Sweden (49)	423.10	0.8	384.90	336.33	376.36	483.48	2.5	2.16	419.62	379.24	329.29	365.59	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland (36)	253.73	0.0	230.82	201.69	225.70	230.92	2.6	1.42	253.62	229.22	199.01	220.96	[illegible]	[illegible]	[illegible]	[illegible]
Thailand (43)	84.68	-0.2	77.02	67.30	75.61	85.60	0.0	3.65	84.87	73.71	66.60	73.94	[illegible]	[illegible]	[illegible]	[illegible]
United Kingdom (211)	278.06	0.1	252.97	221.05	247.36	252.67	0.7	3.88	277.85	251.12	218.02	242.07	[illegible]	[illegible]	[illegible]	[illegible]
USA (653)	309.67	0.7	281.71	246.16	275.46	309.67	0.7	1.95	307.60	278.01	241.37	267.99	[illegible]	[illegible]	[illegible]	[illegible]
Americas (824)	283.66	0.7	257.96	225.40	252.23	238.81	0.7	1.94	281.64	254.54	220.99	245.37	[illegible]	[illegible]	[illegible]	[illegible]
Europe (726)	240.75	0.1	219.02	191.38	214.18	223.21	1.7	2.80	240.51	217.37	188.72	209.54	[illegible]	[illegible]	[illegible]	[illegible]
Nordic (150)	364.38	0.7	331.48	289.65	324.12	358.36	2.5	2.01	361.82	327.01	283.91	315.23	[illegible]	[illegible]	[illegible]	[illegible]
Pacific Basin (883)	129.64	-1.6	117.93	103.05	115.31	101.48	-0.7	1.43	131.82	119.13	103.43	114.64	[illegible]	[illegible]	[illegible]	[illegible]
Euro-Pacific (1609)	175.95	-0.7	160.06	139.86	156.51	147.43	0.6	2.21	177.18	160.09	138.99	154.32	[illegible]	[illegible]	[illegible]	[illegible]
North America (767)	301.97	0.7	274.71	240.04	268.61	301.44	0.7	1.96	299.99	271.12	235.39	261.35	[illegible]	[illegible]	[illegible]	[illegible]
Europe Ex. UK (515)	215.46	0.1	196.01	171.27	191.66	202.21	2.2	2.18	215.22	194.51	168.88	187.51	[illegible]	[illegible]	[illegible]	[illegible]
Pacific Ex. Japan (398)	290.36	0.0	264.14	230.81	258.28	252.70	0.1	2.93	290.46	262.53	227.93	253.07	[illegible]	[illegible]	[illegible]	[illegible]
World Ex. US (1824)	179.59	-0.5	163.37	142.76	159.75	153.41	0.7	2.18	180.57	163.20	141.69	157.32	[illegible]	[illegible]	[illegible]	[illegible]
World Ex. UK (2266)	215.56	0.0	196.10	171.35	191.75	192.72	0.7	1.87	215.54	194.80	169.12	187.78	[illegible]	[illegible]	[illegible]	[illegible]
World Ex. Japan (1992)	277.23	0.4	252.20	220.37	246.60	267.91	1.0	2.29	276.00	249.45	216.57	240.46	[illegible]	[illegible]	[illegible]	[illegible]
The World Index (2477)	220.87	0.0	200.93	175.57	196.47	196.19	0.7	2.07	220.83	199.58	179.28	192.39	[illegible]	[illegible]	[illegible]	[illegible]

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Latest prices were unavailable for this edition. Market closed 7/4/97: Thailand.

Bourses mixed as reaction sets in

EUROPE

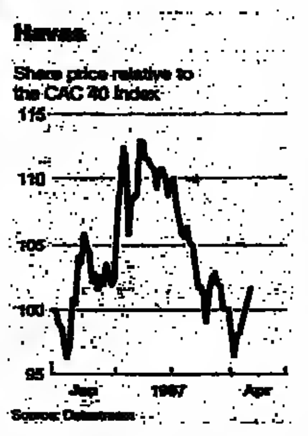
Reaction set in, and FRANKFURT backed water a little after Monday's 3.3 per cent gain; the Dax index came off a very early and momentary high of 3,364.46 to close 14.54 lower at an Ibis-indicated 3,328.13. Turnover stayed low by recent standards, falling from DM10.4bn to DM9.6bn.

The dollar stayed over DM1.71 but the Dow had come off its highs on Monday afternoon, and bond markets had weakened. German equities were mixed: in carmakers, the lead sector a day earlier, BMW put on DM46.70 or 3.6 per cent to DM1,346.60 but Daimler lost DM1.85 at DM128.10 and Volkswagen DM7 at DM920.

On BMW, whose share price this year has suggested the occasional strong seller, Mr Chris Will of Lehman Brothers waxed bullish at the end of March when the company committed itself to a move to the IAS accounting system when the rules suit German companies.

Mr Will lifted his end-1997 BMW target price to DM1,660. On VW, with analyst and press conferences due tomorrow, his recommendation yesterday was to buy on setbacks, ahead of a sharp increase in profits next year.

PARIS traded narrowly in thin volume but it was not short of special features, notably Michelin and Havas, where dealers noted some fairly aggressive buying.



The tyre leader, underpinned by a Goldman Sachs upgrade, was the day's best performer, rising FFr11 or 3.3 per cent to FFr341. Havas, which puts out results tomorrow, was close behind.

Havas had had a volatile run this year, with the shares swinging from one rumour to the next, and the pattern was maintained yesterday. A French press report suggested that CLT, a holding company controlled by Mr Albert Frère, the Belgian businessman, was poised to take a stake in the media giant. The shares rose FFr10.50 to FFr411.50.

Rumours also swirled around Renault, which added FFr2.90 to FFr141.90, helped by talk of more restructuring, and possibly a disposal. A Swedish press story linking Volvo with the purchase of Renault's US Mack trucks operation sparked the speculation.

Club Méditerranée improved FFr1 to FFr446 on news that the Agnelli group had lifted its shareholding in the French leisure leader from 12.98 per cent to 19 per cent.

At the close, the CAC 40 index was 6.69 higher at 2,579.00

AMSTERDAM had a low turnover, mostly mixed session with the AEX index closing 0.02 better at 727.61. Nedlloyd and Philips stood out on the upside.

The electronics giant gained Fl 1.10 to Fl 88.80 after an upgrade to market outperform by Goldman Sachs while Nedlloyd responded positively to news of a rise in container rates.

Nedlloyd is to lift Far Eastern container rates by 15 per cent. The business accounts for more than 20 per cent of group turnover and it helped push the shares up by Fl 1.40 or 3 per cent to Fl 47.60.

Endemol, the entertainment group, came off Fl 4 to Fl 57 following a disappointing results statement.

ZURICH got lift from the dollar, and some depression from the international bond markets. Industrials rose, financials were mostly a little lower, and the SMI index eased 5.4 to 4,582.6.

The bourse continued to run record winners. Clariant put on another SFr10 at SFr752, and Swissair SFr45 more at SFr1,330. Lower down the size scale, Rieter, the engineer, rose SFr11.50 to SFr433.50 before it produced higher profits after hours. Hero, the foods and beverages group, gained SFr13 at SFr684 after it forecast double-digit profits growth in 1997.

MILAN ticked over ahead of the parliamentary debate on Italy's proposed military intervention in Albania. The Mibtel real-time index ended off 12 at 11,220. Fiat continued to improve in advance of today's car registrations for March, adding L69 to L5,420 for a two-day gain of 3.5 per cent.

STOCKHOLM had an unhappy day in pharmaceuticals, partly on profit taking and partly on sector trends in the US.

Astra A fell SKr8.50 to SKr349.50 after a jump of SKr11 on Monday, and Pharmacia & Upjohn also lost SKr6.50, at SKr278.50.

The general index fell 28.08 to 2,651.75 in light turnover of SKr3bn. Ericsson defied the general trend and closed flat at SKr254, supported by a better than expected earnings report from its US telecoms rival, Motorola.

HELSINKI saw a gain of FM3 to FM305 in Nokia A after the Motorola report, and the Hex index closed 14.44 higher at 2,534.80. However, brokers said the day's rise looked fragile and would depend entirely on how US equities fared.

VIENNA had mixed pickings as the ATX index rose 7.84 to 1,186.13. AMS, the microchip producer, leapt by 7.4 per cent ahead of its results today, rising Sch74 to Sch1,074. However, the most heavily weighted stock in the ATX, the conglomerate OMV, dropped Sch18 to Sch1,320; this was on results as expected with a 13 per cent rise in profits, and on good prospects for 1997.

Written and edited by William Cochrane and Jeffrey Brown

FTSE Actuaries Share Indices

THE EUROPEAN SERIES

Apr 8 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FTSE Eurotrack 100	2147.17	2146.64	2147.61	2145.94	2146.47	2148.08	2146.80	2142.42
FTSE Eurotrack 200	2171.76	2169.35	2170.09	2170.29	2169.93	2171.88	2169.64	[illegible]

	Apr 7	Apr 4	Apr 3	Apr 2	Apr 1
FTSE Eurotrack 100	2136.24	2120.19	2085.44	2117.29	2121.15
FTSE Eurotrack 200	2164.76	2130.75	2125.51	2143.86	2145.88

Base value 1000 (26/10/90). [illegible]
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Negara move breaks KL losing streak

ASIA PACIFIC

Malaysia's central bank clarified curbs on property financing and KUALA LUMPUR reversed an eight-day losing streak, the composite index closing 28.02 or 2.5 per cent higher at 1,162.25.

Shares fell sharply last week after Bank Negara announced plans to restrict property lending by financial institutions to a maximum of 20 per cent of outstanding loan portfolios. Yesterday the central bank appeared to modify its stance, announcing that "the limits will have some flexibility".

Dealers said the market was ripe for a technical rebound. Renong, the big property developer, gained 18 cents to M$3.90.

TOKYO boosted blue-chip electricals and carmakers as the dollar strengthened to Y126, *writes Gwen Robinson.*

The Nikkei 225 average jumped 306.03 or 1.7 per cent to 18,021.70 after moving between 17,626.26 and 18,035.10. The dollar's further rise reinforced the recent marked polarisation between exporters and weaker, domestically oriented sectors such as brokers, banks and construction stocks.

The Topix index of all first-section stocks rose 10.22 to 1,365.05 and the capital-weighted Nikkei 300 was up 2.83 at 265.07. Declines, however, outnumbered advances by 646 to 497 with 99 unchanged. Volume increased from 410m shares to an estimated 477m.

Nippon Credit Bank, the day's most active stock, halted its recent slide and rose Y3 to Y170 following the first detailed announcement of its restructuring plans. Other banks were mixed, some recouping earlier losses on short-covering. Bank of Tokyo-Mitsubishi added Y10 to Y1,900, but Industrial Bank of Japan fell Y30 to Y1,170 and Long-Term Credit Bank of Japan shed Y19 to Y333.

Securities houses, particularly the big four brokers, fell again on concerns that financial authorities currently investigating Nomura Securities for illegal stock-trading activities would extend their probe. Nomura fell Y20 to Y1,240, Daiwa Y35 to Y745 and Nikko Y15 to Y601.

Among blue-chip exporters, Sony climbed Y140 to Y9,120, TDK Y180 to Y9,180 and Nikon Y130 to Y1,860. Toyota added Y180 to Y3,460 and Honda Y30 to Y3,880.

Pharmaceuticals also gained, with Sankyo adding Y100 to Y3,530, Takeda Chemical Y50 to Y2,790 and Daiichi Pharmaceutical Y60 to Y2,000.

In Osaka, the OSE average added 66.36 to 19,076.51 in volume of 21.2m shares. In London, the ISE/Nikkei 50 index closed up 4.29 at 1,463.91.

MANILA had another bad day, the composite index closing 81.66 or 2.7 per cent to 2,909.30. Talk of a property crisis continued to undermine sentiment; the lead index has fallen 5 per cent over the past two sessions and by almost a tenth since March 31.

Traders said rumours that Megaworld Properties was facing financial difficulties had triggered the property fears. Both Megaworld and Empire East, its housing offshoot, had denied financial troubles.

The market is closed today for a national holiday.

CALCUTTA heard that the crippled United Front coalition government and the Congress Party planned to hold talks, and rose 4 per cent before profit-taking clipped the exchange index back to a gain of 0.92 at 100.01. Bombay was closed for a public holiday.

TAIPEI saw late profit taking and, while turnover hit an all-time high of T$238.9bn, the weighted index ended 57.07 lower at 8,460.53, off an intra-day high of 8,634.78.

JAKARTA rode out a maelstrom of takeover rumour which swept up Bank Pikko and sparked a trading suspension after the shares had risen by more than 200 per cent. Pikko traded 21.7m and was suspended at Rp4,000, up Rp2,700. Elsewhere, the market traded quietly with the composite index adding 1.58 to 638.22.

The market is closed today.

ARGENTINIAN INVESTMENT COMPANY
Société d'Investissement à Capital Variable
Siège social: 47, Boulevard Royal, L-2449 Luxembourg
R.C. Luxembourg [illegible]
NOTICE OF MEETING
Dear Shareholder,
[illegible]
AGENDA
[illegible]
By order of the Board of Directors

BRAZILIAN INVESTMENT COMPANY
Société d'Investissement à Capital Variable
Siège social: 47, Boulevard Royal, L-2449 Luxembourg
R.C. Luxembourg [illegible]
NOTICE OF MEETING
Dear Shareholder,
[illegible]
AGENDA
[illegible]
By order of the Board of Directors

COLOMBIAN INVESTMENT COMPANY
Société d'Investissement à Capital Variable
Siège social: 47, Boulevard Royal, L-2449 Luxembourg
R.C. Luxembourg [illegible]
NOTICE OF MEETING
Dear Shareholder,
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AGENDA
[illegible]
By order of the Board of Directors

PERUVIAN INVESTMENT COMPANY
Société d'Investissement à Capital Variable
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R.C. Luxembourg [illegible]
NOTICE OF MEETING
Dear Shareholder,
[illegible]
AGENDA
[illegible]
By order of the Board of Directors

TAIWAN INVESTMENT COMPANY
Société d'Investissement à Capital Variable
Siège social: 47, Boulevard Royal, L-2449 Luxembourg
R.C. Luxembourg [illegible]
NOTICE OF MEETING
Dear Shareholder,
[illegible]
AGENDA
[illegible]
By order of the Board of Directors

TENDER NOTICE

UK GOVERNMENT ECU TREASURY NOTES

For tender on 15 April 1997

1. The Bank of England announces the issue by Her Majesty's Treasury of ECU 500 million nominal of UK Government ECU Treasury Notes, for tender on a bid-yield basis on Tuesday, 15 April 1997. These Notes will add to the ECU 500 million of the same security sold by tender on 21 January 1997.

2. The ECU 500 million of Notes to be sold by tender will be dated as of 28 January 1997 and will mature on 28 January 2000.

3. Notes will bear an annual coupon of 4% payable on 28 January, starting on 28 January 1998. Payment for Notes allotted in the tender will be due on 18 April 1997; the amount payable will include 80 days accrued interest.

4. All tenders must be made on the printed application forms available on request from the Bank of England. Completed application forms must be lodged, by hand, at the Bank of England, Customer Settlement Services, Threadneedle Street, London not later than 10.30 a.m., London time, on 15 April 1997.

5. Tenders must be made on a yield basis (calculated on the basis of a month of 30 days and a year of 360 days) rounded to two decimal places. Each application form must state the yield bid and the amount tendered for.

6. Each tender at each yield must be made on a separate application form for a minimum of ECU 500,000 nominal. Tenders above this minimum must be in multiples of ECU 100,000 nominal.

7. Notification will be despatched on the day of the tender to applicants whose tenders have been accepted in whole or in part. For applicants who have requested credit of Notes in global form to their account with ESO, Euroclear or CEDEL, Notes will be credited in the relevant system against payment. For applicants who have requested definitive Notes, Notes will be available for collection at Customer Settlement Services at the Bank of England after 1.30 p.m. on 18 April 1997 provided cleared funds have been credited to the Bank of England's ECU Treasury Notes Account No. 59045828 with Lloyds Bank Plc, Bank Relations, St George's House, PO Box 787, 6-8 Eastcheap, London EC3M 1LL, and provided that the Bank of England has received satisfactory evidence of entitlement to collection. Definitive Notes will be available in amounts of ECU 1,000, ECU 10,000, ECU 100,000, ECU 1,000,000 and ECU 10,000,000 nominal. If any applicant whose tender is accepted has requested definitive Notes, other applicants whose tender has been accepted and who requested Notes in global form may nevertheless be required to accept definitive Notes under the rules and procedures of Euroclear and/or CEDEL. In such event, such definitive Notes will be held by the Bank of England as the specialised depository for Euroclear and/or CEDEL, in such denominations as the Bank of England may determine, for such applicants who requested Notes in global form.

8. Her Majesty's Treasury reserves the right to reject any or part of any tender.

9. The arrangements for the tender are set out in more detail in the Information Memorandum on the UK Government ECU Treasury Note programme issued by the Bank of England on behalf of Her Majesty's Treasury on 9 January 1998 (the "Information Memorandum"), and in supplements to the Information Memorandum. This tender will be subject to the provisions of the Information Memorandum (as supplemented) and to the provisions of this notice.

10. The tender notice issued on 14 January 1997 stated that ECU 550 million nominal of the Notes allotted to the Bank of England for the account of the Exchange Equalisation Account ("EEA") on 29 January 1997 would be held by the Bank of England for the account of the EEA with the intention that they would be sold in subsequent tenders or might be made available for sale and repurchase operations with the market makers listed in the Information Memorandum (as supplemented). ECU 500 million nominal of these Notes are to be sold in the tender on 15 April 1997, will constitute a further tranche of the Notes maturing on 28 January 2000, and will be fully fungible with the Notes sold on 21 January 1997. ECU 50 million nominal of these Notes will be retained by the Bank of England for the account of the EEA and added to the Bank's holdings of Notes which may be made available for sale and repurchase operations with the market makers listed in the Information Memorandum (as supplemented).

11. Copies of the Information Memorandum (and supplements to it) may be obtained at the Bank of England. UK Government ECU Treasury Notes are issued under the National Loans Act 1968.

Bank of England
8 April 1997